

PRESIDING CHAIRMAN: Senator Hartley

Representative Willis

COMMITTEE MEMBERS PRESENT:

SENATORS: Gaffey

REPRESENTATIVES: Lewis, Sherer, Currey, Dillon, Farr, Merrill, Nafis, O'Rourke, Pawelkiewicz, Ruwet, Sawyer

SENATOR HARTLEY: Good afternoon, all. I would like to begin this afternoon's meeting by saying first of all we should remember to speak into the mic because the meeting is being recorded. And just for the purpose of the recorder, just introduce yourself and say the name who is speaking at that point.

I want to, first of all, thank the Governor in putting together the Commission to talk about something that I think is most important and has, unfortunately, we've been talking about our flagship University in the past for a lot of the wrong reasons.

But in particular, I thank the Members for the work that they have done, the time that they have dedicated and the diligence to this, and also thank them for being with us here this afternoon for the benefit of the Members of the Higher Education Committee.

Having just completed your work, you probably need a respite right now, and so this is the last thing that you need today on this beautiful last day of summer, or close to the last day of summer. But nonetheless, we're very grateful that you obliged us to be here.

We know that our flagship University is well on its way and beyond being a world class institution. Academically, the profiles have soared. The enrollments are up. We are very, very proud of what has gone on.

We've attracted and continue to attract the best and the brightest faculty, and clearly, we know that they are expert in the business of higher education, and for that we are very, very proud.

But what we don't know is their expertise with respect to the construction business, and clearly, I think the information that has come forward over the past month has vividly demonstrated

that there is good reason for us to be having this conversation, and that we want to go forward knowing that first and foremost our children, our faculty, are in safe environments, and that we indeed are being the stewards of the taxpayers' investments, and we are safeguarding them appropriately and prudently.

So with that, I would like to ask the Commission Co-Chairs, however, if you want to summarize, and I understand that we have divided up the tasks of the Commission by virtue of the subjects and perhaps that's the best way to proceed.

REP. SAWYER: Madam Chair, I have a question.

SEN. HARTLEY: Yes. Representative Sawyer, I'm sorry.

REP. SAWYER: Thank you, Madam Chair. There's certainly no greater advocate for the University than I. I have sent both of my children there. I have now one alumna and one that is a current student.

But a number of years ago, I was one of the founding members of the UConn Parents Association and, at the present time, I am the President of that organization, so at this time I'd like to recuse myself.

SEN. HARTLEY: So noted, Representative Sawyer.

REP. SAWYER: Thank you.

SEN. HARTLEY: Yes, Representative Dillon.

REP. DILLON: Thank you, Madam Chair. It's simply a question on the process today. Is it the preference of the Chairs that we listen to the full presentation and defer questions to the end of their presentation or should we ask questions at the end of each section? Which is your pleasure?

SEN. HARTLEY: I think that perhaps in terms of getting through this in a timely fashion and accomplishing what it is we intend to do, we could perhaps ask questions as we complete each of the sections. I think that might work.

Jonathan, perhaps we should start by introducing the Members of the Commission.

JONATHAN PELTO: We'll do that. Senator Hartley, Representative Willis, we appreciate the opportunity to come today and to

provide you with a copy, hopefully you all have, and to present you with some of the background in the report of the Governor's Commission on UConn Review and Accountability.

We were a seven member Commission that spent a good deal of the summer engaged in an extensive, although not exhaustive review of the issues surrounding UConn 2000. Six of the members are here today and we, this report is very much a product of consensus and a unanimous opinion of this entire group, all seven.

Six of us are here so quite frankly, we could answer questions to any of the given sections or as you have questions going through, whichever you would prefer.

We thought that perhaps the best thing to do is to give you what we consider to be the major highlights, although we tried to write a report that was simple, direct, and covered the basic conclusions and findings, both to what occurred as well as to a series of recommendations to enhance or an enhanced corrective action program.

Joining me today, as I said are the six. On my far right, Governance, Eunice Groark. Ted Olynciw who had particular expertise in building and construction. Rob Bouvier, a former Mayor of West Hartford and expertise in insurance and also construction work and municipal work.

Al Ilg who was City Manager in both Hartford and in South Windsor, Windsor, and Charlie Urso, Deputy Commissioner of the Department of Transportation. The only one who is not with us today, who couldn't be here is Kathleen O'Connor.

All of us stand ready to provide any additional information that you might need or to provide some additional background on the four findings.

If I can just very quickly, as by way of an introduction, run through what we did and what we did not do.

The Governor set the Commission in place in April of this year and charged us with the responsibility of determining whether the University of Connecticut's internal controls were sufficient to insure UConn's compliance with UConn 2000 regulations and policies, and our scope included identifying those areas in which the UConn internal policies regarding UConn 2000 were deficient and to make recommendations on how they can

be strengthened to better protect the integrity of the overall program and the corresponding expenditure of public funds.

As I said, our review was an extensive one, but not exhaustive. That is, we did what we could to the best of our ability. Our review was one of process, not people.

It was not our responsibility to look at individual job performance but more about the operating procedures and the techniques that were being used over the course of the last year.

I think, and I think every member of this Commission believes that the report successfully reflects the full consensus of the Commission.

Even though we came from very different backgrounds with very different perspectives it was by far the most engaged Commission that I have ever served on and one in which the conclusions were broadly supported by the full Commission.

As we go through this, just for a moment to put it into the context, although many of you already know this, having been Legislators for quite some time.

That is that the UConn 2000 was part of the Legislature's efforts in the early 1990s to reverse the historic lack of funding and support for institutions of public higher education in Connecticut.

At the time, Connecticut ranked 49th or 50th in the state and the nation on spending on higher education, public higher education, and as we were fond of saying, states like Mississippi and Alabama did a much better job providing their young people with the opportunities to get the knowledge and skills that they would need to succeed.

The evidence was very clear from states like North Carolina and Virginia and other states with Tier One public research institutions that for a state's economy to succeed, for a state to be able to compete in the global marketplace it needed a Tier One research university.

But in Connecticut, the situation was very different. UConn's library was wrapped in plastic. The entrance to the south dorm, south campus dormitories I recall had a sign that read, asbestos, do not enter.

There had been decades since a new building had been constructed, and the University was very much slipping into the abyss.

First, with the Higher Education Flexibility Act of 1992 when the Legislature for all intents and purposes turned our constituent units of higher education to quasi-independent agencies, providing them with block grants and full control over personnel and financial decisions.

And then with UConn 2000, the Connecticut Legislature, although it was under different administrations that it took place, Governor Weicker and then Governor Rowland.

In fact, this was one of those rare examples where structural change occurred not from administrative initiatives but from legislative initiatives, and the common sense that in fact structural change cannot occur except through an administration proved to be false when it came to the repositioning of public higher education in Connecticut.

UConn 2000 was a program of truly landmark status. The New York Times called it the benchmark for public high education in the country and it was, and still is, proportionately the most extensive and impressive infrastructure renewal program of any public university in our nation.

There is no doubt that the investment that was made in UConn 2000 and 21st Century had an extraordinary impact as well. The building program played a vital role in the tremendous transformation that has taken place at UConn.

Thanks to updated, modernized, enhanced facilities, as well as significant improvements in its academic programs, the University has dramatically raised its national reputation and now enjoys the status of the number one public university in New England and one of the top 35 research universities in the country, plus or minus.

However, over the past year it has become very apparent that serious shortcomings in the management and oversight of UConn 2000 resulted in a variety of problems.

Some of these were very significant. These include, but are not limited, to the construction of a number of dormitories that failed to meet Connecticut State Building and Fire Code,

significant cost overruns, accounting deficiencies, and a general failure to properly manage the program.

When the Governor formed this Commission on April 12th of this year, she instructed us to determine what went wrong and what needs to be done to put UConn 2000 21st Century back on track.

What we'd like to do is just to run through the core findings and then the core recommendations that we have, and again, we would be happy to answer any and all questions that you might have.

The fundamental sense that we had going into it was, there was no doubt that the impact of UConn 2000 21st Century had a very positive impact on the University of Connecticut.

But there was also, as time went on, no doubt that significant problems existed and needed to be corrected. And this report lays out what we believe to be an enhanced corrective action plan that will do exactly that.

And as you consider the details of this plan, as well as the alternatives to this plan, you can count on us to be partners in helping you in any way that we can to shed light on what is undoubtedly a difficult task of keeping the positive aspects of UConn 2000 21st Century and yet addressing the very significant problems that existed.

REP. DILLON: We're asking questions after each section?

REP. HARTLEY: Yes.

REP. DILLON: I just want to make sure we're following it correctly. I just have a couple of questions, Mr. Chairman. Through Madam Chair, to the Chair of the Commission, please. Thank you, Senator. Always on the [inaudible].

Just to understand the process, I've been trying to make sense of a lot of the material here and trying to make a decision about how much weight to attach to different, you did not have subpoena power?

JONATHAN PELTO: That is correct. We did not have subpoena power. We, the report is really a product of two major sources of information and Charlie Urso will talk about one whole aspect of that, and others will talk about other aspects of it.

But fundamentally, Bob Bouvier and I, the Co-Chairs, managed an operation in which the Commission went and both handled looking at all of the various audits, the various reports that have been done, independent reports, internal reports within the University of Connecticut,

reports done for and by the State Auditors of Public Accounts.

And so looking at those audits as well as extensive interviews with all of the different, almost all of the different entities both inside the University and outside the University, both experts in construction, outside experts, and so we put together what was our best assessment about what happened and the appropriate ways that it could have been done and should be done.

REP. DILLON: Thank you. On the point of the subpoena power, though, I'm just wondering how much was available to you, and I don't know that. I have no judgment on it, but I read the papers like everyone else, and it appears that two key personnel were discharged and that one of those people signed a confidentiality agreement.

I don't know how much time to spend on that issue right here, but I could understand doing that with Microsoft or Proctor and Gamble, but for a public entity to have a confidentiality agreement with a state employee, I don't know what that means or who would enforce it. Who decides where they can speak? Whether it's even legal, and I just wonder.

Did you ever look at that issue in terms of the people who had been discharged and wonder whether, and I'm getting rambling here, but I want to, I'm concerned about details. But I'm also concerned about the institutional culture.

If we're going to look at what your recommendations are, what will work in terms of fixing things?

CHARLIE URSO: [Inaudible-microphone not on] response to that?

JONATHAN PELTO: Absolutely.

CHARLIE URSO: Yeah. The issue, I think the [inaudible-microphone not on] that you're talking about are like UConn [inaudible-microphone not on] ways to cooperate and there's nobody that declined to talk to us. So we did talk to the people. We didn't

have the power of subpoena to compel certain areas, nor did we have the ability to go out and validate every area.

But I think in the next section we're going to get into, we can get into the methodology a little bit as to how we got there and again, we'll process. We didn't look at nor did we have some of the powers to look beyond a process review, although we did a considerable examination of a lot of areas.

And if you have the full report, on Page 4 it outlines everything, but I would hit some of the highlights in my presentation.

REP. DILLON: Thank you. Yeah, I directed my questions on after, I guess I'm trying to follow the Agenda that I have here, which is introduction, and I thought that a question about the process would be appropriately directed to the Chair after the introduction so that I could know how you did what you did what you did.

If you're going to be taking that up later, then that's fine, we can do that.

CHARLIE URSO: Yeah, we were going to take it up in a slightly different order, with your permission, than what the Agenda lays out here, sort of an order of the report itself, and then I think it will become evident just how extensive our review was.

But there are certainly questions that can and should be asked and if it's in our purview, we'll answer those, or tell you that it was not.

SEN. HARTLEY: Thank you, Representative Dillon.

Jonathan, I think we were about to proceed.

CHARLIE URSO: My name is Charlie Urso and the couple parts that I'm going to cover today are the audits, management oversight and into the buyer and safety code compliance, but there is some comment necessary to be made on the methodology of what we did use and the scope.

It was very early in the Commission that although we are a diversified group, we were restricted by certain powers. We had the ability to go out. We had the encouragement by UConn to cooperate, but that's where our process, pretty much the boundaries were.

But in that, we determined very early that you had a ten-year review of a very significant program. At that point in time it had been, approximately \$1 billion had been spent on the first phase of UConn 2000.

In that, we perceived, and ultimately it was true, that there would be a number of significant reviews by independent professionals such as auditors.

The list of them are, Coopers & Lybrand did a review the first year to outline some of the structure needed to accomplish this task.

Pinnacle One was hired in 1998-1999 to do an overall review of the performance, and in the belief of our Commission, to provide a report to the Legislature and tell them in fact, how they were doing.

Blum Shapiro had conducted multiple financial reviews of what was going on to the UConn 2000 programs. Again, each one of those has an inherent scope that you'd have to look at the particular report to view, but Pinnacle One was an overall review. Blum Shapiro was specific scoped financial review.

The reports of the State Auditors of Public Accounts, they reviewed portions of UConn 2000 in their normal auditing function of the overall University, so their work product was maybe 10% of their overall view. Their scope was limited to the construction process but they had oversight and responsibility.

Price Waterhouse Coopers in our mind is the most significant review, and that was done in 2005 and our Committee would encourage you strongly. It's Exhibit O in our report. It is the most complete review of the entire ten-year program.

They had extraordinary access to the records, access to employees. They interviewed 30 some odd employees in conducting their review and again, they had the professional independence to look at it rather extensively and they did a considerable work product.

The University of Connecticut also did some internal audit reviews although it's pointed out in the report in the year 2000 they discontinued use of any internal audit function to look at the construction process that left an additional void that we'd point out.

And then the number of people that we talked to regarding each one of those work products, we talked to people involved in each one of the reports to get their view with their stuff that didn't come out black and white but that they thought that we should have some background on.

And then there's a whole host of other state agencies that we drew upon to help supplement our understanding of what happened and stuff.

So with that, again, this Commission looked at it and said the state, UConn, had spent in the hundreds of thousands of dollars to perform these reviews with groups that had certain expertise in those areas, and the reports were thoughtful and not considerable work products.

So from our standpoint, we had a significant reliance on those to generate what our concerns were, and then to look into how they were responded to and in fact, addressed.

In pointing out, to highlight what we considered the most significant work product, because again, it was the overall review of the entire process was the Price Waterhouse report which was completed, I believe, in April 05 this year, so it's pretty current.

The findings are pretty startling, and I'm just going to highlight a couple of them. That entire report is also listed as one of the exhibits here which is again, if I was going to encourage you to read one exhibit, that would be it.

Just some of the highlights. There's an overall lack of standardized policies and procedures, lack of segregation of duties, lack of formal building inspection protocol.

The project budget process was inappropriate. There's little or no oversight of the budget modification process. UConn did not dedicate sufficient resources to manage the program.

There was no meaningful management reporting to the administration. UConn does not have documented nor consistent procedure for performing all the necessary inspections on non-threshold buildings.

Actual costs were transferred between projects and costs may have been incorrectly allocated to others.

Deferred maintenance funds may have been used without board approval.

Those were just a few of, there's probably three pages of observations that Price Waterhouse made in the entire report. Those are just some of the highlights. But again, they painted a pretty grim picture as to exactly what was going on.

It's important to note in there, too, is that Price Waterhouse made the observation that if the Pinnacle One report had been followed in 1999, a number of the issues would have been addressed earlier because in large part they addressed structure and procedure to create a Foundation for UConn to perform some of the functions necessary, and that became a considerable part of our focus because it appeared that there was some omission or disregard as to what had happened.

We had a lot of difficulty in trying to reconcile how UConn would spend, I think, collectively, it had to be close to be \$300,000 for these various reports.

Price Waterhouse may be added to that, but it was a lot of money, and essentially either get lost in lower level employees and generally disregarded to the significant changes that were necessary.

And again, in our mind, Price Waterhouse validated that because they were saying recommendations that were made five and six years earlier would have contributed to the appropriate Foundation to address some of these things.

In one of the charges that we had were to try and look at, determine whether the overall cost of the UConn 2000 program was in line of what we would expect.

Now, it was our Committee's belief that we weren't able to perform an assessment because of the failures of the University's accounting system to properly track and report the projected cost.

I'd just like to read the cite and, again, this reliance was significantly very much like the other findings that we had based upon independent professionals' reviews.

Most of our findings that we point to were supported by their findings. It's not something we came up with independently. In

large part, we're pointing to what they found in trying to find a resolution or reason behind it.

But what they said during numerous interviews, we were informed that actual costs for certain projects had been transferred into others. We understand in some cases this may have been done to prevent a project from exceeding its current year's funding limit.

However, we are not certain whether these costs were transferred back to the rightful project once subsequent year funding was available.

We were also told that some costs from certain projects were inappropriately allocated to certain other projects. We did not pursue these allegations as they fall behind, beyond our current scope of work.

However, these are serious potential allegations that should be investigated, especially since they undermine the credibility of the reporting costs.

That is Price Waterhouse's quote. That's not ours. That came from them, that they had the access to the books and records and they couldn't reconcile the items to make the determinations necessary to make any further opinion on it.

So in the audits, we found significant issues that should have been brought to appropriate management to address and there were still concerns as to us as to why in fact those things weren't done.

In the fire and safety code compliance issue, this is my last section. You can ask whatever questions you want. In this area, the safety code issues have become of considerable concern to us.

It gets into this threshold, non-threshold issue where the Committee does not quite understand as to how non-threshold buildings really didn't have appropriate coverage for safety inspections and stuff and there's a number of articles that continue to point out some of the lapses in, or the damage that has fallen out from not performing that.

But the Commission, during it, we reviewed the handling of safety inspections and this best illustrates the flaws in

operating in the closed environment that we believe that UConn operated in, virtually free from independent scrutiny.

This process, in UConn's view, this process was adequate and prudent safety option to address code compliance. Clearly, the certification mechanism that the University utilized failed to identify a significant number of fire and building code issues, by not engaging sufficient staff to conduct inspections or retaining outside services for this function.

The University accepted buildings that did not meet code. That's unacceptable risk and additional costs associated with correcting these code violations is one of our more serious findings.

We don't think that this approach carries the appropriate control to insure the safety of University students, faculty and staff. Problems in safety concerns could remain undetected for years.

Obviously, we've made the recommendations to address that and hopefully it doesn't go much further.

And the logic behind that is the remediation of these problems is much more difficult to fix once a building is complete as opposed to remedying the problem during the construction phase, which is just prudent and appropriate business practice.

And finally, it was our belief that litigation is the likely source of funds to remediate some of these problems and it is not an appropriate control to insure the public safety and adequate financial recovery, which is the situation that UConn is in now where they are trying to sue in disputes over whether these safety code violations that are being uncovered are the fault of contractors, architects, engineers or whatever versus some responsibility of UConn.

So those were my couple areas. If anybody has any questions on those, I'd be willing to answer.

SEN. HARTLEY: Thank you, Charlie. If I could just make a comment before I know the Committee certainly has questions, and the Price Waterhouse study is the most recent and most comprehensive of all of the studies that have been commissioned since the start of the program.

And it clearly points to a situation where we did, indeed, bring in outside people. However, to date, all of those audits aren't even complete, if I'm reading Price Waterhouse, so we still don't have the full picture, if you will, because, and to add to that situation, they were paid for.

They were paid for. They were incomplete and then beyond that, they were ignored, basically put on the shelf.

And my concern as we sit here because there is so much before us, is, how do we restore our confidence that we, sitting in this circle can rely on, and are indeed getting, full information and information that we can rely upon.

That's probably the most overarching problem that I have here in addition to the list of, and we know construction projects are like this. They're fraught with problems. They're fraught with budget revisions. And there's always litigation.

So having said that, but this goes beyond and puts us into an entirely different realm.

CHARLIE URSO: Yeah. Can I address, the first part of your concern is the audits, they have all been completed essentially, with the exception of some of the Blum Shapiro ones.

SEN. HARTLEY: Right. The Blum Shapiro. Right.

CHARLIE URSO: There are some outstanding issues from the Price Waterhouse that they recommend and we can of course, should be followed up on that would require an expanded scope of audit.

But as far as the audits themselves, they were reasonably completed to the scope as to what was required by the University at the time. The Blum Shapiro is a little bit of a different issue there but the other ones give more complete overall review of the construction projects.

The Blum Shapiro was specific. It wasn't an audit in the sense that it had a very broad scope. It checked the accounting function for individual products, and it was more in line with the debits and credits, what was spent on that and how it was funded, so it wasn't a very broad based audit to start with.

They're appropriate. They're necessary, but their scope wasn't expansive enough to cover some of the other issues that were covered in the Pinnacle and in the Price Waterhouse.

As far as the recommendations going forward, I think that will be addressed in one of the other areas. But to clarify the audit, the audits are substantially complete.

SEN. HARTLEY: Okay. I will hold my specific questions. I know Committee members have questions. Representative Dillon.

REP. DILLON: Just a quick one. The deferred maintenance account, though, is a little bit controversial and that is, even if that was a fairly simple, a different kind of audit that Blum Shapiro was doing, they were paid in full and they have not done that for the deferred maintenance account. Right? If I remember correctly, that was the one that was not covered by their product. I just wanted to mention that.

JONATHAN PELTO: Yeah. And I think it's obviously a very fair question to determine whether contractors were paid for services that they did not provide, and so we would certainly not stand in the way of that question being asked, but would warn you to not lose sight of the forest for the sake of the trees.

There is a discrepancy between the University and Blum Shapiro about what was the work product supposed to be from those annual audits.

That said, there was a major audit conducted by Coopers Lybrand in 1996 that was kept in draft form so that it would not have to be released. There was a major audit conducted in 1998, 1999 by Pinnacle One of which Blum Shapiro did the financial portion of that audit.

It was, had very serious concerns and a long list of recommendations that the University should embark on. The University embarked on some of those but not many of them.

Blum Shapiro then conducted separate financial audits in 1999, 2000 and a combined 2001-2002. Those audits, as limited as they were, continued to reflect some significant problems, particularly the use of moving money between different accounts in order to achieve the budget.

One of the recommendations that we have is that within the way that you structure UConn 2000, there were two significant lump sums of money. Those were, we felt, were not properly reviewed.

As best as we could do in looking at that, it was clear that there was money used in those, that is the deferred maintenance account and the telecommunications and equipment account.

And one of the recommendations that we have is that there be a complete, separate audit of those. Had Blum Shapiro completed their audits and they were told at one point to suspend their work and then about five months later were told to go ahead and complete their work in the post 2002 auditing.

Some of that would have been picked up, but in fact, much of it was already picked up and I think that rather than worry about the particular discrepancy is the fact that starting in '96, in '98, in '99 and 2000 and 2001, there were independent audit reports saying that there were problems.

And for whatever reason, of which we have some recommendations in a sense, those, many of those recommendations were not acted upon, including the aspect that Blum Shapiro was auditing.

Although we want to make clear that in fact the Blum Shapiro, what they did produce, is in some way some of the most, raises some of the greatest concern, and so that answer is probably not, it is an important answer to get, but it doesn't stand in the way of the information that the Blum Shapiro audits had important information that the University should have acted on and chose not to.

You'll see in the recommendations that we lay out, that fundamentally what we have suggested is that because of the lack of credibility and the concern that's been raised, that there now be put into place either accountability, oversight, or removal of responsibility each step of the way, that the University for a variety of reasons, which we can certainly talk about, should still determine which building should be built when and what kind of buildings they are.

But when you get to the actual construction process, and the accounting and all of the issues related to it, if you go through the recommendations what you will see is taking that process and mirroring it with new series of oversight, accountability, reports and intervention to make sure that each step of the way there is an ability for there to be assurance that the program is being run correctly.

REP. DILLON: Well, it sounds like we don't disagree that much, because I'm not really, I'm really looking at the absence of the

deferred maintenance. It's kind of a, all these things are point indicators to, you understand how dramatic it is for your group to tell the Legislature that you can't tell us how much this costs.

I'm not afraid to vote for taxes. I've done it, you know, so many times. I'm not going to be running for a lot of offices going forward, given the number of taxes I voted for. But to be able to go back to your constituents and say, we have no idea what it costs.

It seems to me, and you really did a tremendous amount of work here. I really have to give you credit. But this is terribly damaging here.

This is really, actually, [inaudible] burnished in my mind, anyway, the auditing profession a little bit more than, you know, they've taken a hit with some of the public.

But they did the audits and they were all roads to nowhere and that gets back to the institutional culture. I'm concerned. We've had debates about audits here and whether, you know, an independent audit is adequate or whether it should be the Auditor of Public Accounts. I don't know.

Well, I did have feelings, actually, that's not true. I do know. But this is dramatic. You've given us a very dramatic report. You can't tell us what it costs, and you're telling us that the audits were adequate but they were withheld.

They were kept in draft form so that we couldn't get them, and the management letters were not fully transmitted. That speaks to a very, very damaging institutional culture. Wouldn't you agree?

CHARLIE URSO: Yes. And one of the parts that I didn't provide in my testimony that I should either clarify or stand upon was that that was one of the issues, in our minds, that the Pinnacle One report was so important, because it was our belief it was supposed to go to the Legislature in the January 15, 1999 submission and in fact, it did not, which would have at least opened up some public debate into some of these issues and obviously [inaudible].

SEN. HARTLEY: Thank you. My culture. Representative Willis.

REP. WILLIS: Jonathan, I have a question regarding the statement you made about, I believe it was the Blum Shapiro audit that it was stopped and then started up again. Who stopped it and who ordered it started it up again? And I have a follow up question to that.

JONATHAN PELTO: Our understanding of the situation, if you go back and just to give you a little bit more of the methodology.

We sat as a Commission for all of the hearings and obviously went over all of the key findings and recommendations. As sub-groups we pursued different aspects.

The audit that we thought was by far most significant, or the two audits were the Pinnacle One audit of 1998-1999 and the Price Waterhouse Cooper audit of 2005, and Mr. Urso was the one who was heading up the unit that was looking at that.

The Blum Shapiro audit, because they were so narrow, really only served to focus in on one but very important concept, or a couple of concepts, and so we did spend some time on Blum Shapiro audits.

We talked to Blum Shapiro. We went through all of their materials, all of their work products. We talked to all of the employees who were involved in the Blum Shapiro audits, but again, as Mr. Urso stated, they were really fundamentally project audits.

That is, what was the budget at the beginning of the project, what was the budget at the end of the project, and were the accounts in line. We found, they pointed out a couple of disturbing facts.

First and foremost, they were the ones who identified to a far greater extent, that when invoices came into the University, they were not necessarily applied to the project that they were supposed to be applied to, that because the way the Legislature had set up the UConn 2000, \$100 million a year over the course of ten years, money would become available one year. Additional money the next, additional money the next.

As invoices came in, there was some, to what degree we're not absolutely sure, misallocation because there wasn't the money available either in that particular project or in that particular year. It was applied to a different project.

As the new money came in, it was either retroactively applied to the correct project or not. That was one of the key findings of Blum Shapiro.

The second key finding of Blum Shapiro was an inadequacy of background material. That is, in all of the change orders there was no evidence that there had been acceptable levels of bidding or estimation going on, that in most cases throughout the time that Blum Shapiro reviewed projects, there would be a change order signed by the appropriate University personnel, but no documentation as to how that amount was achieved.

It was clear that significant work had been done, but like a number of other areas, there was not the record keeping necessary to allow an auditor to fully determine whether that was the right amount of money.

Those were what we thought were two of the three big [Gap in testimony. Changing from Tape 1A to Tape 1B.]

--it was set up as \$144 million program over the ten years with an allocation of somewhere between \$10 million and \$30 million a year, depending on what year it was.

As projects went over budget, or as there weren't available funds for a named project, the deferred maintenance fund, in essence, served as the fund of choice to go to, assign an invoice to that fund and then retroactively, if resources allowed, to then reimburse the fund or to move the invoice over to the correct project.

Those were the key findings of Blum Shapiro. Blum Shapiro, as we said, wrote the financial portion of the Pinnacle One report, then had its own audit and management letter in 1999, its own audit and management letter in 2000, and then a combined audit and draft management letter in 2001 and 2002.

They were instructed in the beginning of 2005 to cease work on completing the audits and the other audits that they had been contracted for.

That was apparently done, because in the meantime, the significant changes that had taken place on the Board of Trustees having finally stepped forward and put a real Audit and Compliance subcommittee together.

There had been a period of years in which there was no effort on the part of the Board of Trustees to review any of the documentation or to fulfill their responsibility to insure compliance with the program.

When Chairman Jack Rowe took over he became Chairman of the Board of Trustees. He put in place an Audit and Compliance Committee. They set up a very distinct process for conducting audits.

Either they did not know, were not told, did not understand, that a firm had already been hired to conduct a series of annual audits on UConn 2000. So they went out and contracted for Price Waterhouse Cooper, apparently not fully understanding that Blum Shapiro was out there. So Blum Shapiro was told to cease work. At a future date, about three, four months later, the Board of Trustees then voted to reengage the existing contract with Blum Shapiro and Blum Shapiro is now in the process of completing the audits for 2003, 2004 and I would assume 2005.

So it may very well not be quite as sinister a conclusion as one might come to, but in fact there was a period of time in which those audits were not being completed.

SEN. HARTLEY: Thank you. Representative Sherer.

REP. SHERER: Thank you, Madam Chair. Before I ask my questions I just want to comment that I'm extremely impressed with the amount of hard work you did, given some of your restrictions, lack of subpoena power, but all the material that you had to go over, and I appreciate the hard work you did and I'm satisfied that you came to some difficult conclusions and well thought out ones at that.

To me it's apparent that the big problem, or one of the problems here is what I would say communication. But communications goes both ways. So you have people speaking, other people not listening, other people not wanting to speak and other people unable to listen.

So I think that's one issue that has to be addressed coming out of this, that there's really, why was all this information available to people and then not disseminated properly.

And in your conclusions, or in your recommendations, it's interesting that I had come to some of these thoughts before I read the recommendations, because I think they're very clear

that perhaps it's an understatement to say that UConn should be in the business of educating and perhaps not in the business of building.

And I query as to whether or not you have a suggestion and it's probably in here someplace, but I think when the public is seeing this, and not reading what we have, it may be beneficial for them to understanding some of the findings, and your conclusions.

And the question is, who would you recommend, or how would you recommend oversight, and ultimately, do you agree perhaps that in all aspects of building for any department, that there ought to be a centralized department supervising building, whether it's the Department of Public Works or something like that, and I would appreciate your comments on those two questions. Thank you.

EUNICE GROARK: My name is Eunice Groark. Good afternoon. We have done a couple of things, one of which I will discuss, and the other Mr. Ilg will discuss.

One of the issues way back when in 1998, 1999, when Pinnacle One was engaged, it was engaged as a result of a woman named Clare Leonardi who sat on the Audit and Finance Committee for the Board of Trustees, and she felt that it would be appropriate, indeed perhaps imperative, for an audit to be done even that early on UConn build program.

They, Pinnacle One was engaged. They in fact engaged Blum Shapiro to do some of the financial work and they were doing the construction audit, and the report came back to the University.

In the interim, there had been some issues related to the University about the medical school and Clare Leonardi's attention, as I understand it, was turned to these issues out at the University's medical school.

As a result, no one on the Board of Trustees, after they had asked to have this, no one ever asked to see the Pinnacle Report, not one Trustee, as far as I know, as far as we can determine.

Secondly, there was never established a building committee for this project by the Board. In other words, so there was no one who was really focusing on how the plan was developing on the

Board, what problems they might have run into, what about inspections, what about this, that and the other thing.

So what we have done here is two things. First of all, to back up a little bit. We had, as has been indicated already, masses of material that came to this little group of ours, and how to present that so it made some sense to the public.

And what we did was, we took President Austin's list of a corrective action plan. The items that are in that plan he actually testified here in April and listed these.

And we have built our report around that, not necessarily in the order in which he presented them, but at least so that there can be some connection between what the University's already started down the path and where we can agree with them, or where we think they may have fallen short or what we would in addition recommend.

We have recommended that all of the audits that have been done here to date, including Pinnacle One, Blum Shapiro, all of them, be implemented.

They ought to be looked at to see what has been implemented, what hasn't been implemented, where there's overlap and all the rest, and that that ought to be the first thing, and that that should be driven by the Board of Trustees.

That the Board of Trustees should be in constant contact with the auditors of the University and the auditors of this whole construction program, and that not only should they drive the implementation of these audit reports. Indeed, they should make a time line for when these recommendations are going to be implemented.

Some might be able to be implemented between now and January '06. Some might take until March of '07, I don't know. Not only should there be a time line, but there should be a person or persons identified who are going to actually make the implementation happen and be responsible for it.

That is absolutely critical. It rests with the Board of Trustees, as it would in any other nonprofit or for profit corporation, that the directors or the trustees are ultimately responsible for what goes on. So we have recommended that and we have recommended the time line.

We have also suggested that Trustees should be appointed for one six-year term, not to be renewed and that a replacement be appointed within 90 days of the expiration date.

We feel strongly that it's important to have fresh eyes always at this University, and that there is a turnover so that whatever the issues are that related to the University that there are people on the Board who can connect with them.

So that is critical, that there is a constant turnover by class because if you look at the statute, there's a class appointment system. It's a rotating Board, but the problem is that people's terms are up and renewed.

We also think that the Board of Trustee should meet alone with the auditors without management under [inaudible]. Corporations do this now.

Board directors do it on a regular basis at least once a year, that all of the audit committee and the Board, if they choose, meet alone with them to talk about the conduct of management, whether there's anything significant that they have not reported to the Board with management there so that the Trustees are fully aware of exactly what's happening.

I'm not suggesting anyone's committed fraud. I'm not suggesting anyone's stealing anything. I'm not suggesting anything else. But in terms of good corporate governance, it's very important that the Trustees and their external auditors have a relationship, which is open. It's not compounded by any kind of interferences direct. And so that also is in our report.

We also feel that the Board of Trustees should consider the creation of a whistleblower process, independent of the processes currently available under Connecticut law.

In other words, in this University if there is a problem and somebody sees it, under again, there are ways that you can set this whistleblower process up that say the Chair of the Audit Committee might very well be the person who's contacted.

They can discuss whether the issue is a viable issue, not a viable issue, all the rest of it, and that therefore people who are on the job and are watching the construction or other projects and see a problem, that that could be reported to the Board of Trustees and appropriate steps can be taken if they're necessary.

We also feel that the Board of Trustees should have a building committee, a committee that has oversight over this UConn build program so that they are aware of what's happening, that they can report to the full board, that the full board through that committee's work is thereby informed and is not left in the dark. And there never was a building committee, just never was a building committee.

And I think finally I would suggest that the University's Board of Trustees really has to take very seriously, the imperatives of a major construction project like this and I am sure that after all of this that they certainly will.

That's really our oversight issue because it just became so apparent that they had not exercised it perhaps as well as they should have, or at least we believe.

REP. SHERER: Madam Chair, this is a quick follow up. I did have one part of the question about, did you come to any conclusion vis-à-vis having a centralized building process in the state for all kinds, all the universities or juvenile training centers or any other problem we seem to--

EUNICE GROARK: No.

REP. SHERER; I don't mean that in particular, but I mean in just general.

EUNICE GROARK: No, no, no, no. Ours is actually, Mr. Ilg will tell you. He has, our Committee has devised a plan that there is a building committee with regards to the University of Connecticut, but our scope was not, believe me, we had enough to do with the University of Connecticut. All these other things, we have not. It didn't come on our plate. It wasn't part of our job description and we didn't address it.

REP. SHERER: Is it your belief then if they had a building committee and adhered to some of the recommendations of these auditors that there would be sufficient oversight and they could conclude their projects more satisfactorily than they had done to date?

EUNICE GROARK: I think that it, I certainly believe, and as Chairman Pelto has stated, that if the Pinnacle Report had actually come to the Board of Trustees, both volumes of it, the Trustees were aware of it.

If the Pinnacle report had been added on to the report that the University was required to make in January of 1999, I think a lot of things that have happened might not have occurred, and that the, God knows, the Board of Trustees certainly would have been far more engaged in this than it appears that they were.

REP. SHERER: Thank you.

SEN. HARTLEY: Thank you, Representative Sherer. Senator Gaffey.

SEN. GAFFEY: Good afternoon to all of you. Thank you for your hard work. Governor, you just stated that after Miss Leonardi had informed the Board that they were going to undergo this audit, which I think was September of 1998, and then she in a subsequent meeting, I believe in November of '98 announced to the Board that there would be a report forthcoming, hopefully in time to submit as a supplement to the General Assembly in their January report.

And I know since that time she has retracted what was in the minutes, at least, and suggested that she never really meant that it was going to go to the General Assembly.

But you just stated that no one on the Board of Trustees requested the Pinnacle report or what was going on with the Pinnacle report. But as I follow the outline in your report, somewhere between, it says unknown, but clearly it's between June of 1999 and July of 1999.

The former Chairman of the Board of Trustees, Roger Gelfinbein, requested a copy of the report because, according to your report, Mr. Schilling, through Mr. Dreyfuss had been told that Mr. Gelfinbein wanted a copy of the report and that Mr. Dreyfuss believes he was instructed by President Austin to send a copy of the report to Mr. Gelfinbein who's Chairman of the Board of Trustees.

So I just wanted to reconcile that difference in what I just heard and what's in the report.

CHARLIE URSO: Yeah. That finding was from Mike Walker in the UConn report because he had access to Mr. Gelfinbein. We didn't interview him in depth. Governor Groark had an opportunity to speak with him but he did not have a recollection of the report, I believe.

EUNICE GROARK: Yeah, that basically is what he said.

CHARLIE URSO: But there is reference in the documents that we have seen that Schilling sent him a copy of what would have been the June draft, around September, I believe.

EUNICE GROARK: And it was marked up, apparently.

CHARLIE URSO: It was marked up.

EUNICE GROARK: It wasn't a fresh copy.

SEN. GAFFEY: Marked up by whom, presumably?

EUNICE GROARK: Mr. Schilling--

CHARLIE URSO: Mr. Schilling.

EUNICE GROARK: --or somebody in his office.

CHARLIE URSO: But we never had a chance to reconcile, actually, what he had, what he didn't have, and what he acted upon because it was like a dead end to us.

SEN. GAFFEY: And at the time, then, did Mr. Gelfinbein, when you spoke to him, claim that he never received the report?

EUNICE GROARK: No. He said that had received a report and I believe he had said, this was a very informal conversation I had with him and you know, whatever I remember is what I remember.

He said that he had received a report. As I remember it, he had said that it came from Mr. Schilling, that it was marked up, that there were notations on it and he had not really read it.

My point is, my point was not so much Mr. Gelfinbein or anybody in particular. It was the fact that the Board of Trustees, or indeed, the Audit Committee, which actually was where Miss Leonardi had her seat, that was her Board assignment, never followed up on what they had started down the path with, that the Audit Committee itself had never said, gee willikers, where is this audit we've talked about or spoken of, that it had just not come back.

And then whoever had seen it, I think, had thought that they'd seen only book one. They claimed that they had never seen volume two of the Pinnacle report, so it just.

I guess if I had paid some money to have somebody come in and do an audit, if I were a trustee or a director of a company, I'd ask somebody what ever happened to it.

SEN. GAFFEY: Well, obviously, most people would. But what sticks out here is that you have a Committee headed by Miss Leonardi. I don't know who else was on that Committee. It's not in here as far as who was on her Committee.

Presumably they met as a Committee and it wasn't a Committee of one, but I don't know that.

EUNICE GROARK: No, there were a number of people on it. We had a list of the people.

SEN. GAFFEY: Okay, so is Miss Leonardi post 1/1/99 gets busy with the Health Center as did other people within the administration of the University of Connecticut get very busy with the Health Center because it was the subject of hearings in here for a long time and on other Committees that we spent a great deal of time on the Health Center.

So clearly, I recollect who was involved working on that. Miss Leonardi, Miss Aaronson were spending night and day working on that.

EUNICE GROARK: Oh, yes.

SEN. GAFFEY: But it just, it's troubling that in a six month time frame up until the time, at least according to your report that Mr. Gelfinbein suggested he'd like to see a copy of the report, that no one requested a copy of the Pinnacle One report.

Then I look at the timing of what's going on and the major players who have oversight responsibility, as I understand it, in reading this report.

One thing I did not see in here, although the PW audit, I think it was Price Waterhouse has some sort of an organizational structure. I want to know, okay, who has the line responsibility here.

Obviously, you know, it flows down from the top, from the Chairman of the Board of Trustees through that forward to the President and on down. But you know, in any organization, someone has the job and responsibility for getting the job done and follow up, etc.

So when I looked at, finally OLR was able to get an organizational structure of who was who and who had the line of responsibility with regard to these construction projects, and as I understand it in looking at this that was just handed to me about 20 minutes ago, is that Chancellor Emmert had the responsibility under President Austin, and then there was Mr. Dreyfuss under Chancellor Emmert and then Mr. Schilling under Mr. Dreyfus.

And Mr. Schilling and Mr. Dreyfuss are, I mean, they're just all through this thing. So clearly, they had the lion's share of the responsibility of the construction projects and managing the construction projects. Correct?

EUNICE GROARK: That's correct.

SEN. GAFFEY: Okay. And then their boss, Mr. Emmert at some point in time in mid-1999 leaves to go to Louisiana State University and then as it's noted in your report, he said that he was transitioning between I think, like March to June before he left. Whatever that means, I don't know.

But does anyone know who took, who carried the ball for Mr. Emmert when he departed to go to Louisiana State University? Who was assigned the responsibility?

EUNICE GROARK: I think it was Dale Dreyfuss, basically. He filled the void. He filled a void.

SEN. GAFFEY: Okay. So Mr. Dreyfuss now has no one above him checking on his duties and obligations and fulfilling his role as sort of like the whole overall project manager of these construction projects.

EUNICE GROARK: You know, this is an aside, but it may shed some light on it. One of the things that's been consistent in these audit reports is the fact that there just wasn't, there was not an adequate number of people involved in a lot of this.

In other words, for inspections, there weren't a lot of them. [Inaudible] even they had been engaged, had engaged Fusco, there weren't enough people on the ground.

Mr. Schilling told a couple of us that he was trying to do this, that and the other thing regarding four or five buildings at once.

I think what happened was that the University didn't want to have this turn out to be an employment project. They wanted it to be a construction project, so money was going into buildings, but it wasn't going into the oversight or the management of the whole process.

And I think that another concern was that they were dealing with enormous sums of money and I think they were concerned about that, to make sure that there wasn't fraud or theft in that and there was an assumption on the part of some of the Trustees and perhaps others, that the University had always had buildings.

They've built buildings in the past so surely they would have to know what this construction project would be and that that, they, that perhaps the administration and the Trustees were more concerned about the money side of things.

So when you get to say there's no one here and no one there, you're absolutely right because they just didn't, there just wasn't, there wasn't adequate staffing in many cases to carry out some of the responsibilities that would have to be carried out.

SEN. GAFFEY: Did you have the opportunity to speak to Mr. Emmert?

EUNICE GROARK: I did not.

JONATHAN PELTO: Senator, and I want to reiterate on behalf of all the Commission members. We really did believe in the charge that we had, which was process, not people. So we individually and maybe even collectively have some very strong opinions about the individuals involved.

But we want to make it clear that that was not our direct scope, that when we talk about the failure of the Board of Trustees to provide appropriate oversight or the failure of senior management to properly manage, we're talking about it from the standpoint of process.

EUNICE GROARK: Exactly.

JONATHAN PELTO: Now there may have very well been individuals associated with that, whether it was the Chairman of the Board of Trustees, the President of the University, the Chancellor.

But the notion, and take you all back to when the Legislature adopted UConn 2000, when systematically through the statutes and we moved any and all restraints on the University's flexibility, statute by statute by statute.

And then instructed the Board of Trustees to develop guidelines that mirrored the state statutes. Choice of words was important. It was guidelines not regulations because there was a sense that regulations was an overly restrictive process that would have potentially generated the needs to go through Regs Review. Didn't have the authority to go through Regs Review, etc.

So as the Legislature went systematically through, removed the statutory oversight but then gave to the Board of Trustees the responsibility to develop those guidelines.

In essence, think about it as the law was here. The University's responsibilities as they applied to oversight or construction or bidding or anything else was here, with the understanding that the Board of Trustees would bring it up to the appropriate level so that there would be flexibility that was representative of what a world-class University needed, but also the protections in place.

SEN. GAFFEY: Well, I was working in another role at the time, but I remember the genesis of this, as you will to, it was 1989. Leo Donohue was ready to pull his hair out because the bill that passed that year took state auditor responsibility away from looking at this newly created Foundation and away we go up until the present day.

So, I mean, Representative Dillon and I sat here last Session trying to get audits on the Foundation and came up just a little bit short.

JONATHAN PELTO: We all have crosses to bear, Senator.

SEN. GAFFEY: We all have crosses to bear. But just for the record, you know, just for the record, and some bear more than others.

JONATHAN PELTO: Just if I could, just to directly answer the question for those Members who may not have read it, because the Pinnacle One is a good example of exactly what happened.

SEN. GAFFEY: Okay. Now, you mentioned that, in Bechtel was hired to be the project manager. Now, and as I understand a report

what Mr. Schilling is saying and others, and Mr. Emmert's note was that Bechtel was "under utilized".

Who's call was it for Bechtel to be utilized or under utilized?

EUNICE GROARK: I would think it would be Dreyfus, Chancellor Emmert when he was there and/or Mr. Schilling. I mean those, as far as I can figure out, those would be the three people who you know, had some responsibility. Now there may have been other people laterally.

SEN. GAFFEY: And how was their agreement, how was that constructed? I mean, I looked at the work that somebody did in here as far as their pricing and that was an interesting story.

But was it a draw down agreement based upon services rendered based upon that pricing?

JONATHAN PELTO: And Senator, going back, remember our report in essence is two reports. A finding of what we believe happened and then a series of recommendations, and the Governor was discussing the series of recommendations about how to move forward but also in the context of the findings.

The Pinnacle One audit just to bring everybody up to speed, there was a sense on the part of Trustee Leonardi and others that there needed to be a comprehensive audit of UConn 2000. This was in 1998. The program was now three years old and a report was due to the Legislature in January of 1999.

The Board approved a resolution to hire a nationally recognized auditor to engage in a one-time audit as well as a series of annual construction audits, which is how they got to the point of Pinnacle One and Blum Shapiro were hired to do the audit.

They were hired in October of 1998. They provided their first report in the beginning of December of 1998. They met with Schilling and Dreyfuss and briefed the Chancellor, we believe the second week of December of 1998, not that the dates are absolutely critical.

There was a second report done close to the end of December, right around Christmas of 1998. In the meeting with Emmert he identified the major issues with the Pinnacle One report which was a lack of staffing, a lack of financial controls, not utilizing Bechtel Fusco sufficiently.

He identified the five major points which ironically many years later Price Waterhouse Cooper identified as the same major issues.

There was a regular weekly briefing of senior management that included the President and Mr. Emmert and the senior team from both.

There was the day-to-day operations of the construction project, was housed primarily in what was called the Building and Grounds Committee. That included Mr. Dreyfuss, Mr. Schilling, Miss Aaronson and a few others.

They met to brief the President, although initially he did not recall the meetings on January 13th and then the President's key staff met on January 15th to review the Pinnacle report.

The report that was given to the Legislature made no mention of the Pinnacle audit, nor any of the problems that were identified in the Pinnacle Audit. That report that was given to the Legislature was completely positive about the tremendous positive things that were done.

So your question is a very valid one, but the answer is one of relative complexity. There was a small number of people involved in the project. There was clearly a line management that went from the Board of Trustees who no longer seemed to be interested in the project, if they were at all.

The President of the University who did not recall seeing the primary part of the audit that was negative. The Chancellor, who identified the major problems and at least on paper claimed that they had been briefed to the full team.

Mr. Dreyfuss, who was in charge of the day-to-day management of the program and Mr. Schilling, who was his primary assistant and really in charge of the nuts and bolts.

At the same time, the Building and Grounds Committee was made up of a slightly larger group. They would tend to meet every week or every other week, I guess, and go through each individual project, and so certainly there were opportunities there to review the problems and issues and news that was coming in.

That team, we did not have the authority nor the scope to identify exactly where the ball fell down, but we do feel very

comfortable saying that the ball was dropped and it seemed to be dropped all along the line.

So it could well have been that Schilling was not sharing appropriate things with Dreyfuss, or Dreyfuss was not sharing appropriate things with Emmert, or Emmert was not sharing with Austin, or Austin was not sharing with the Board.

But we can be sure that that management system failed miserably when it comes to accepting the criticism that was evident in the audits.

And so the first major recommendation that we have is that going forward, assuming that the Legislature continues to want to have a world class University, is that first and foremost the Board of Trustees needs to step forward.

You can say, having known most of the Trustees, as I say it somewhat tongue in cheek, that being appointed to the Board of Trustees was primarily an opportunity to get better parking and better tickets, and it's clear that when you have a billion dollar program, a billion dollar University, an annual budget of a billion dollars on top of which is now a billion dollar program, that the Board that oversees that needs to be engaged, and what we saw was a Board that really wasn't engaged.

SEN. GAFFEY: Yeah. The purpose of the questioning, just to understand exactly what happened here, because from where I sit, that's a very important aspect of this whole exercise, understand exactly what happened here structurally between the Board of Directors and the management of the University.

So that as we entertain recommendations, we can form in our own mind whether or not those recommendations make sense.

I must say that I'm a little bit hesitant with regard to recommendations that have to do with the, and I have no idea who's on the, just a couple of people who are on the current board right now. Mr. Rowe I know is the Chairman, but I don't really know who else is on the Board right now.

But to, you know, follow almost the same pattern in directing things back to a Board of Directors again without appropriate oversight I think from what might be Public Auditors of Account on everything up there, so that there's a complete and open transparency on everything that involved the public money that UConn.

I'm a little hesitant to go in that direction. I think that we'd rather go in the direction, at least I would, to speak for myself, go in the direction where the Public Auditors of Account have access to everything that goes on up there, and also the Department of Public Safety with regard to code enforcement and all the way down the line.

JONATHAN PELTO: If you will give us the opportunity just to run through, because I think what you will see is a system that does reflect that. It is a responsibility on the part of the Board of Trustees to step forward.

It is a new management model that represents much more of what happens at the municipal level, and then as I said, each step of the way so that as contractors are hired, instead of that being exclusively within the University of Connecticut, they could only hire off of the prequalification list of the Department of Administrative Services.

When buildings are built, they could not be built until the plans have been inspected by the independent Department of Public Safety with additional inspectors paid for by the University.

That if you go through the process that we're recommending, I think it reflects very much for the most part, with a couple of very relatively minor issues, what you're going after.

We, if I can turn it over to Mr. Ilg--

SEN. GAFFEY: Just one thing, though, and then I'm done after this one. the whistleblower recommendation. I don't know why we'd want a whistleblower to go to the Board of Trustees governing the University instead of going directly to the Auditors of Public Accounts, which the law requires now, have them take a look at it, a completely independent body, to determine whether or not there's something for follow up with the Attorney General or not.

EUNICE GROARK: If you're going to give somebody a responsibility then you have to also allow them to exercise some judgment, and in short of the Legislature running, or somebody else running the University of Connecticut.

If there's going to continue to be a Board of Trustees, not only does the Board of Trustees have to accept responsibility, they

also have to be able to make judgments, and that's the only reason for it.

I have, I'm sorry. I have to leave. I have a 3:00 appointment, but I'd like to say it's been an honor to be here this afternoon. Thank you very much.

SEN. HARTLEY: Thank you, Governor. Thank you for being with us today.

JONATHAN PELTO: And, Senator, there is a very legitimate issue that can and should be debated about the Auditors of Public Account and their ability to audit the Foundation, particularly since one of the findings that you'll see in here is that there was money that was moving out of the Foundation into the University to pay for certain UConn 2000 activities and vice versa.

So putting that debate aside for a moment, the Auditors of Public Accounts have had full auditing ability of these funds for the last ten years. In fact, we relied very heavily on two very strong audits that were conducted in 2001 and 2003.

The Board of Trustees appointed by the Governor, approved by the Legislature, in essence, the Board of Directors, right now that is obviously an effort that there's not a lot of inspection over because I, too, don't remember or know who are all of the members of the Board of Trustees.

If you're going to give the University this kind of responsibility, one would want to start and make sure that the right people are there, that yes, there be independent audits from both the State Auditors who are auditing all of the books as well as particularly targeted auditors.

The other is that the present whistleblower system has been in place and obviously has not worked sufficiently. So we're making a recommendation. We recognize the decision is exclusively yours in how to move forward.

The thought about a whistleblower piece of this was really due to the fact that we have had auditing taking place, independent auditing taking place, and those audits were not properly followed up.

We've had an external whistleblower system taking place although it's confusing about do you go see Mr. Blumenthal? Do you go to

the auditors? Who do you go to? There have been a number of whistleblower cases that have come forward that that in itself has not solved this problem.

And so as we envision this system that we were putting out for a recommendation, it was one in which the, that you empower and then hold responsible the Trustees and then the management down below and give a vehicle or multiple vehicles to look into that, so that's why the DAS portion. That's why the Public Safety portion. That's why the Public Works portion.

The key to it is this notion of a Building committee, much like a municipality has. As all of you know who have served on municipal levels, the bottom line is the Board of Finance, the Board of Selectmen, the Board of Education decides about its time to build a school.

The last people you want to put in charge of actually building the school is the Town Council or the Board of Education. So you set up a hybrid that includes some people from the policy-making board, in this case the Board of Trustees, and a new set of experts whose job is to get that project done right on time within budget, and that's really the piece that Mr. Ilg could just briefly run through.

SEN. HARTLEY: Thank you. Excuse me, Representative Dillon has a question. A quick question.

REP. DILLON: Yes, we sort of melted from Mr. Urso's presentation into Governor Roark's and so we sort of moved from it and I guess I just have one difference that maybe perhaps is emphasis with some of the findings here, and I think Eunice brought it up herself.

When you talk about adequate personnel, I can't believe that that, I can't give enough, I can't say that that is the major contributor what went wrong.

If you're talking about some person on the ground who made a decision to put soil around the foundation of a building so that my son might be in a fire, you know, and I go right there, you know.

I was teaching at Rutgers in Newark when the fire took place at Seton Hall, and I read it in the paper. I heard it from the family, that that doesn't get to the issue of personnel.

And I understand what she's saying and I'm not sure that the Legislature should run, you know, I'm not sure we do everything we're supposed to do so well, so I'm not getting into that.

But when you get into a proactive decision to say this is, we're going to do something to hide this, and we also have a cartoon. That's not about personnel. That's about judgment and institutional culture and I don't, I'm still skeptical about your remedy and not any one I come up with because I'm troubled about coming up with some kind of an organizational chart that has nothing to do with anything because of the group things that went on.

That's troubling me. I don't want to let that go. I don't have any judgment about what we should do, and better you than me sorting through all this. You did an incredible job.

JONATHAN PELTO: Thankfully for us, it's better you than us because we're done.

REP. DILLON: It's not just personnel when you're putting soil around the foundation of a building.

JONATHAN PELTO: And the reality that one decision leads to another leads to another. It was clear that the University believed that what the Legislature intended was that money be used to build as much as possible, as quickly as possible, to change the University as quickly as possible.

That decision, which may or may not have been the appropriate decision itself led to various factors.

The second, for example, was the Board of Trustees developing policies and guidelines at the recommendation, undoubtedly, of the management.

That when it came to fire code issues there was a decision that was made that if the architect certified that the plans were designed to code and the builder certified that they had built them to plans, there was no need for additional inspection in a non-threshold building.

Now, that, the criticism could easily go all the way back to the Legislature when you took out all of the various oversight and gave it to the Board of Trustees.

The Board of Trustees did not say, as they could have, and as is done with every other building, that any project because every other state agency deals with the situation in which threshold buildings are inspected by the Fire Marshal.

Non-threshold buildings are for the most part inspected by the Department of Public Works and they have seven inspectors, who all they do is those kinds of inspections.

The University of Connecticut was, for a variety of reasons, allowed to set up its own system and chose to set up a system that relied on the architect.

Now, so there's multiple levels of failure that go beyond simply a culture. It was decisions that were made that I don't think anybody thought intentionally, let's go ahead and have 2,000 students living in buildings that don't meet fire code.

But decisions were made in such a way that that was the net result of those, and it came from the Board of Trustees, it came from the Legislature, the Board of Trustees, the individuals involved and not in defense of the University.

But the message was pretty clear, I think to everybody, which was, you're not supposed to use bond funds to hire a whole lot of employees. So if Public Works has seven inspectors, you're not supposed to use a bunch of your money to hire more inspectors.

Now whether that one was of such importance it should have been done anyway, or whether you hired those inspectors based on contract and not on employees was something that I think would be fair game for the Legislature to consider.

SEN. HARTLEY: Thank you. Representative Merrill, we've got a few quick questions here. We're trying, but we do want to get through your presentation.

REP. MERRILL: Well, yes, thank you. Well, just while you're on the subject of the area of building inspections and so forth, and I also, of course, thank you for your work. It's a very, very difficult job.

This is extremely distressing, particularly probably for me since it's my town, and I've done a lot of following what you're doing and other information has come my way.

I mean it is, I agree with you, it's multiple failures at every conceivable level, and it's very saddening because it is, could have been, and still is one of the crowning achievements, I think for the 1990s for the state.

So I want to make sure that as we go forward, that I understand your recommendations and that they really do something to stop the failure because that's really why we're here.

And I guess my question relates to the question of why, given all this and given all the complexities of the building program and what we, the reasons that the Legislature at the time, and I was part of it as well, decided to do things this way.

Some of us could come to the conclusion, every easily, that maybe the University shouldn't be in the area of building buildings, and I guess I go back to the whole question of why your recommendations in particular don't recommend that it go back to DPW.

And I, you know, just because I am, I live around there and I've seen the buildings and I do remember that we did have problems under DPW as well, and so I can already estimate what your answer might be on this and just, you know, the library, the swimming pool that was built a foot too short so we couldn't have Olympic meets.

I mean, you know, academic issues around labs, and today the UConn Law School Library which currently has, no one seems to want to own the problem, was built by DPW. I mean, nothing's perfect.

So given that, I'm curious as to why you didn't recommend that it go back to DPW, get UConn out of the business of building buildings.

UNIDENTIFIED SPEAKER: [Inaudible]

REP. MERRILL: Well, you certainly can. You know, I mean, I think we really need to think about this, you know, given all these problems. That's my question.

JONATHAN PELTO: I'll answer that in sort of a two-part on behalf of the full Commission. We tried very hard to respond to the scope and charge that the Governor gave us, which was try to determine what went wrong and recommend, and make a series of

recommendations to insure that going forward things are done right.

And so we took that recommendation to heart and we came up with a system that we think does that. If one takes one step backwards, I think, although we didn't go through this full process, there were really only three potential paths that you could walk down.

This is, right now, year 11 of the 20-year program. Year 12, actually of the 20-year program. We have eight years to go and we know from looking at the way in which it ramped up, that there are some significant ramp up that has to take place.

I know, having been through that during the 80s, that when the state bureaucracy was in charge and the arguments were [Gap in testimony. Changing from Tape 1B to Tape 2A.]

--is probably not in the position to run a world class University no matter how well intentioned it is.

And so the choice is really for you all, one of three choices. One is to remove the money in punishment, which really leaves the students in the state paying the price.

The second is to move it over to the state and expand the state bureaucracy, which is certainly an option, although I think everybody has been extraordinarily impressed with what DPW has done.

The fact is, the reason this was created was because the library was wrapped in plastic and south campus had a sign on it that said, do not enter, asbestos, and the example after example that you mentioned, let alone problems that exist today, although certainly it's a very different DPW than when I was a legislator.

But to double in essence, the size of their budget and require them to deal with all of that, let alone the policy issues about who decides whether it should be a pharmacy building or a physics building, and the size, and the number of labs, that our assessment really was that there was only one logical conclusion at this point.

And that is, the University has got to be in charge of its future to the point of setting policy. But because of what's happened, and the state needs that University to be successful.

And because of what happened, you have to change the oversight and the implementation of the program. So the reason that we came up with a system that fundamentally leaves the money, recommends leaving the money in place and the Board of Trustees as the fundamental legislative body for determining which programs go where, but then put in stop gap after stop gap after stop gap, and the report lays those out, I think, very clearly.

It sets up a new Building committee that is half made up of non-trustees to make sure that there are outside experts that make sure that the job is done right and that Building committee hires the director of operation, building operations and construction, not the Board of Trustees.

Secondly, it says, if you want to build a building, you determine which building needs to be built, how big it needs to be. You deal with all those kinds of issues about meeting federal requirements on animal care.

But once the building is built, the actual, once the building is determined that we need that, the design and construction of that building rests in the hands of the Building committee, again, much like a municipality.

Second, you can't go out to bid unless the plans themselves have been approved by the Fire Marshal. That gets exactly to the issue of moving the dirt around.

The other one that has come up more recently of the building that, Charter Oak Apartments that doesn't have the sprinklers in the attic and now has a fire watch.

The issue came down to, at one level, was it 62 feet high or 58 feet high. The University discovered this issue after it was built and claimed that it was 58 feet high, not 62.

Well, the whole reason you have the plans inspected is that you don't measure the building after the building is built to determine whether or not it is a threshold building.

So our recommendations are, you can't build it until it's been approved by the Fire Marshal and building just like every other building in the State of Connecticut.

Secondly, you can hire whoever you want, but it has to be off the list of prequalified contractors, off the Department of Administrative Services, who have a different obligation.

If you have a contractor that you'd like to qualify, send them over to DAS. If DAS, if they go through the DAS process and they meet the requirements, then you can have a sub-process but you can't hire contractors unless it goes through DAS.

As the building itself is built, that there be the appropriate inspections by the Fire Marshal and independent inspectors, not by the University of Connecticut.

So in essence what we said was that, at least from our perspective, and within our scope, if you want the project to be successful, it's up to the Legislature to determine whether or not you move forward. But if you want the project to be successful, then the logical conclusion is to set up a system that holds people accountable.

But because, as I said, the loss of credibility, we felt that you actually had to take each step of the construction process and put in a new set of eyes or a new trigger to make sure that it's being done, and done right.

We didn't spend a lot of time looking at removing the money or shifting it to DPW, in part because our scope was come back with a recommendation to make sure that the last eight years of this building project are done and done right.

REP. MERRILL: Thank you.

SEN. HARTLEY: We are proceeding to, you're next.

ALBERT ILG: This next section is on organizational restructuring. We had testimony that told us that it is not unusual for an expensive, and this certainly has been expensive, and extensive program of construction can overwhelm an organization, and we think that's likely what happened here.

It's especially true where an organization has a small in-house staff that believes that they can undertake the program. The staff being overwhelmed itself, not being familiar with the difficulty and the complexity of running a very large construction program.

It is something to be done by people that have experience and training in running a construction program and that it's not a program to be run, we believe, by a small in-house staff that has grown itself, and I think the results and the audits and the information that you've heard prior to this today, clearly

demonstrates some of the problems you can have when you do it that way.

It's not unusual to require construction to be done by people who know construction, as you would, I would hope that surgery would be done by people who are surgeons.

That is not what happened here and that's probably why we're here today. There are a lot of other reasons, I'm sure, but that's one of them.

We recommended that establishment as Jonathan has said, of an independent UConn Building committee, and I underscore independent. The Committee would be comprised of seven members.

Three members from the Board of Trustees, three members appointed by the Governor and one member selected by the vote of the other six members. The Chairman of the Building committee would be chosen from the members, and that seven member Building committee would meet maybe every two weeks or every month and they would have, reporting to them, a Director of Construction.

It's not at all unlike the building committees that you're familiar with in your towns. Some of them work probably better than others, but it's not, in my experience at least, it's not unusual to have municipalities overwhelmed by capital improvements, by large capital improvements, by big bond issues, a new school or several schools or many highways.

And municipalities fall into the same trap. They often try to do it with existing personnel. You can do that to a limited extent, but when the program becomes large, you need to bring in some people and you need to have a Building committee and you need to have some people who have done this kind of work before, and it's not unusual to say that because that's how we operate most of our programs.

We try to find people who have done this before. We hire police chiefs that are familiar with police work. Okay, enough of that.

The Building committee would be responsible for the management of all of the construction projects and they would insure that the buildings are safe, code compliant and cost effective.

We found, for example, as best we could tell, the University and the Board of Trustees did not have a building program, a formal

document on which they acted, unsure of how it was determined what should be in the chemistry building, for example.

We're recommending that the building committee develop, or the administration could develop and submit for approval by the Board of Trustees, trying to allocate the responsibility and the authority in the same place with the Board, a construction program, and for each project. In other words, review the project so we know what it's going to be.

There should also be a budget for the project. We found from what we could determine, that in the early years, certainly, there were no budgets, and if there were budgets, they were, some parts would change.

Other parts would not, and I think in the Price Waterhouse report I think there's a mention of how certain line items never changed while other items changed.

I mean it's rather straightforward. You just have to take my word for it. In our business, you do budgets and they change, and you revise them as necessary, and it's a good way to operate. It's also good to have a program.

The Board would provide oversight for the selection and performance of the professionals to manage, design, construct and commission University construction process, and they would select the architects and the engineers, the consultants, the program managers, construction managers and other entities which are needed to design, construct and commission University facilities.

You would see them, for example, picking architects, architect A based on a well-documented system on how the architect is selected, records that one can find when they go back to, go back several years and there are actually records there.

We see the Board picking architects. We see the Board awarding contracts. The Board, this committee, we call it, the committee, independent committee could also select, for example, the Department of Public Works, in answer to your question.

They could select the Department of Public Works to do a building and give them that assignment and then see how they do, and try that.

They could give them another project or not. They could hire other people to do projects. They would hire a company like Bechtel.

Bechtel, as you've learned in this report, was not fully utilized, and when you see the amount of money that Bechtel was paid each year, you see the decline going, really dropping off and then coming back again as some other people came to the University and decided to do Bechtel.

And I know that, let me just say at this point that Bechtel, they're all over the world and in some places they've been criticized, etc.

The belief is that at UConn they were really quite good and that they were really the only professionals out there, and that's why it's particularly troubling when we found that they were the ones that [inaudible] weren't used as much. They know the construction business, large construction business.

The Committee, the building committee, independent building committee would award contracts for goods and services. They would review and approve architectural plans and specifications for the University construction projects.

They would establish standard practices and monitor the project scope, authorize changes, order in contracts or they could work something out with the Board of Trustees, and monitor and approve change orders.

We would like to see the Board of Trustees, for example, once they have the program designed right at the beginning of a project, to send it to this Committee, have it priced, go back to the Board, and then the Board adopts a program and sets a budget and says, this is how much money should be spent on this project, so that when change orders start coming in and invoices are sent to the right place, that if the project goes over budget, the Board is required to make additional appropriations, just as you have in your municipality.

And I think that builds in the transparency. You raised the issue of transparency, of openness, and that's something we very much want and we think we can do that with this Committee, that you can.

They would hire a full-time director of capital projects. The full-time director of capital projects would be a professional

who, in the construction business, and someone who has had extensive experience in large construction projects.

This is a monumental program that you've undertaken. I mean, \$2.3 billion is, you know, a lot of money, and when you figure out what the interest cost is on that, it's going to be approaching four to five.

So we think that it's certainly worth having a full-time director, and that person would report directly to the Building committee and they would insure that the buildings would be built in a safe and cost-efficient manner.

And they may utilize University staff, or hire additional staff to fulfill the duties. Subtle, but there's a point here, and that is that there's no understanding that existing staff at the University will be hired to do this program.

They certainly offer certain advantages. There are real advantages there, but I think if the Committee is going to independent in the way that we said, and is going to take a different tact, then they have to be able to do what they feel, and the director of construction do what he or her decides is the best interest of the construction program.

There would be a flow of information from the University's Senior Management Team. Oh, that was the problem.

The University Senior Management Team, we felt the flow of information was not what it should be to the Board, and we would hope to remedy that by giving the Building committee and director of capital projects the independence and fiscal discipline it needs to build safe, quality and cost-efficient buildings.

I share, you know, your concerns and I think the Commission does, that this needs to be independent.

The Board, the Board would have, the Board of Trustees would have three appointments, and that's a cognizance of the fact that the Board has, the Board of Trustees has the responsibility, unless the Legislature, or unless you want to put that responsibility somewhere else. But right now, the Board of Trustees has the responsibility.

However, there would be three other appointees, and they would share in selecting the seventh person, or I suppose you could have four people appointed by the Governor, whoever.

I think that's probably as far as I want to go with it. I'd answer any questions.

SEN. HARTLEY: Thank you. Representative Nafis.

REP. NAFIS: First of all, thank you very much for all of your hard work in this area. I don't want to reiterate, but we've all been, I think, very frustrated as we've seen this all continue to come to light, and I don't think there's any question that we all very much support UConn and are very proud of UConn's achievements.

I was not here in the Legislature when this program first began many years ago. In fact, I came on as the Health Center crisis was developing and I do remember that very, very well, and I can certainly understand how that probably did cause some change of focus.

However, that being said, I will also say that I think it's very evident to me, and I think to all of us as we've heard what you've said today and you know, previously as we've seen this, that nobody was driving this car at all.

It just seems like we put a lot of money into this but nobody was driving it and you know, I think that responsibility does start, you know, with the Legislature and the way that probably build that, you know, what was drafted in the beginning, and you know, the charge given to the, you know, the University, etc.

And it's unfortunate, but we're here. We're where we are not, so obviously we need to fix that going forward. I think the building committee concept that you're raising today as an oversight, the concept is an excellent one. It certainly does work for towns.

I have concerns and I wanted to ask you a question about, you were talking about the meeting twice a week?

ALBERT ILG: No, twice a month.

REP. NAFIS: Every two weeks.

ALBERT ILG: Every two weeks or every month.

REP. NAFIS: And the Trustees are not paid positions right now. But if you're talking about an oversight committee that's going to have that kind of responsibility, I'm just curious, were you thinking about having stipends or something for people that were on that?

ALBERT ILG: No.

REP. NAFIS: You were considering it to be--

ALBERT ILG: Right. That's why, if we had the committee meeting once a month, I think once a month. I'll give you an example. You set up a building committee.

You did this in, I think about the same time, I'm not quite sure when it was set up, but it was part of the reform of the school system in Hartford, and there is a building committee that you set up as a Legislature, and that building committee is functioning now and is doing very well.

It has representatives from the schools and the school Superintendent and it has representatives from the city and it's headed by the Mayor. But it's a successful model and there are people serving on there who are not compensated. There are other people that are.

We would see, for example, don't know, perhaps they're a reappointment of the state. Representatives could be one of them. Might be the Director of the Department of Public Works.

On the other side, on the University side, maybe one of the appointments could be the, what is it called, chief operating officer. It could be a chief operating officer who is a vice-president working under the president, something like that.

The important thing is that there needs to be a different team in place. I mean, that is the overall message of the independent building committee and it's got to be attached somewhere, that's why, to the Board of Trustees there's an attachment there.

But it should not be a strong, it has to recognize how important the independence is.

REP. NAFIS: Can I follow up? My, the reason I said that was that it's obvious that there was a concern, I think, from the original legislation, and Jonathan you raised this, that the

University did not want to put the dollars into people. They were more concerned about putting it into building.

But the reality is, and I think everybody recognizes this now, that you have to have qualified people running these kinds of programs, particularly something of the size and the magnitude that we were dealing with at the University.

I mean, the building committee being an oversight is one thing, and hiring, I believe you had a position you were talking about.

Obviously, that person may need staff too, and I only say that, and obviously we're going to be looking at this a lot closer over the next several months, but I just think we need to make sure we're very smart about how we set up a new oversight, that we do adequately staff it with people that are qualified, that absolutely have the supports in place that they need in order to do the oversight in a quality way that they will need to do as we move forward.

That's the only reason that I really raise it. Again, it's obvious that that was a problem early on, and for the record, I want to make sure we don't make the same mistake.

JONATHAN PELTO: And Representative, I think one of the things that our Commission found very notable in the literally dozens, hundreds of hours of work that we embarked on was, our primary focus was on what went wrong and how to correct it. No doubt about it.

But at the same time, including many of the people who were at the actual implementation end, the people who were doing the job, in interviewing them they were very proud of the amount of work that they had gotten completed.

And one should not overlook the fact that just as there were significant problems, and we certainly don't want to minimize those, so, too, was something that most people thought was just not possible, and that is in the modern age, to transform what was in essence a relatively good but mediocre State University into a Carnegie tier one research institution conducted by a group of people who while they certainly felt they had the expertise, it probably turns out that for the most part they didn't, that they managed to do 70 major new buildings and a \$1.1 billion worth of renovations.

In that there were significant problems. People need to be held accountable for that. Changes are going to need to be made, but the transformation, particularly for those of us who would now not be able to get into the school that we graduated from because of what's happened, who have, who now see facilities that you only hear about or dream about or see.

When you look at the University of Virginia, the University of North Carolina, the University of California as those involved in the creation of this legislation did not probably fully understand or appreciate both the magnitude of the problem or the tremendous changes that would take place, some of which do not necessarily have the policy outcomes that we would want.

That is, that it has become in many respects, a major research institution that has an elite component to it, that leaves some people probably not getting in that once upon would. It includes far greater students from out of state than were in state, all kinds of changes that took place.

But anybody would be remiss, and the reason that I go on, having spent so much time with this project over the last four months, to call this project a failure. It was no doubt that it was an extraordinary success with significant problems that have to be addressed.

Madam Chair, we want to be cognizant also of your, we had additional significant changes that we're recommending to code compliance, to budget and finance, to the construction process.

We could run through those briefly. They are in the report. We are available should you want more discussion about these things at another time, but I do know that you had said two hours and out, so.

SEN. HARTLEY: Well, we had established a two-hour time frame. I'm not sure what the [inaudible]. Are you able to stay?

JONATHAN PELTO: Yes. We can do a quick update on the other three major areas that we're recommending and again, as you go through the report you will see what it is we're talking about.

ROBERT BOUVIER: Sure, with respect to code compliance, that's been quite a bit about what we've been reading in the press and for good reason.

We strongly believe that the oversight functions with respect to fire and safety code compliance must be independent from the University.

While we understand the goal that the University tried to achieve in creating its own Office of the Fire Marshal and Building Inspector, we do not believe that this in and of itself is enough.

In order for this to be as effective as possible, the University must benefit from an outside independent inspector free from internal pressures.

Therefore, we recommend that staff within the newly created Office of the Fire Marshal and Building Inspector report directly to the appropriate divisions within the Department of Public Safety.

I think the independent inspections are a recurring theme throughout this report and verification that there's a little bit of the fox guarding the henhouse that they were conducting their own inspections and almost working at cross purposes, that if they had to meet rigid timelines and get the projects done, that they would certify, as Jonathan said earlier, the architects would sign off and the builder would also sign off as to the accuracy of the code.

When an institution of higher education embarks upon a multi-billion dollar construction program to drastically improve its physical infrastructure, there cannot be any shortcuts in insuring that the occupants of those buildings are safe.

As we have learned from several individuals who have come before us, the state building and fire safety codes are incredibly complex, and we had someone who testified that look, while complex they are, if the University had only embraced them and tried to understand them and work with them, they could have avoided a lot of this trouble.

I'm referring to the last that we've been made aware is Charter Oak Apartments rushing to meet the deadlines to have the students occupy those buildings.

It is in the state's best interest to make sure that it is being interpreted and applied by individuals who are both qualified and experienced in building and fire code compliance.

SEN. GAFFEY: Was Bechtel involved in that, Charter Oak?

JONATHAN PELTO: They were involved as, it was a Bechtel project, but the contract with Bechtel was quality assurance, not code compliance, and so one of the things that I think where people fell down was that people believed, there was not a proper understanding of the difference between quality assurance and code compliance, and quite frankly, if we hadn't been through the last four months, a couple of these folks would have. I would not have known the difference, but Bechtel was hired to do quality assurance.

For the most part, we didn't see any sign that that wasn't conducted, but there was not code compliance. There was not code compliance.

REP. DILLON: Nobody was in charge of code compliance?
[Inaudible-microphone not on]

JONATHAN PELTO: They had a code compliance officer. Most of the code compliance work that we could find was done after the building had been accepted by the University.

There was significant testing of fire extinguishers, sprinklers and things like that, but in the actual construction process, there was limited to no building code or fire code compliance.

The issue of the Charter Oak Apartments is very much, and what is an ongoing criminal investigation into that issue, was the notion that there was a sprinkler system put in place. The question was, was it code or fire compliance and if it was not, then who knew that when?

Because the way that it played itself out, that did not become apparent for two years and brought about the fire watch that is now in place where there are two firemen on the property 24 hours a day, seven days a week, 52 weeks of the year with a plan to go in apparently next summer and either correct it, or obviously the facility would not be habitable.

ALBERT ILG: For your 30,000-foot high look at this program, we had testimony that indicated 100 buildings were built. I'm not sure, I didn't count them, and of the 100, 12 were inspected. Okay? So, getting to your question about what was done.

They were the above threshold buildings and there was debate as to the University several times tried to avoid the inspections,

and then there were the dormitories, you know, were inspected later on.

There have been orders now by the Governor to inspect all buildings, go back and inspect them, and these will have to be done. It might involve destructive testing. We received testimony.

Destructive testing means going into the walls and tearing stuff down to look at it. You can imagine, but anyway, that's the situation to put that into some perspective.

SEN. HARTLEY: Albert, excuse me, if I could, and this is the thing that just keeps haunting me. As recent as March of this year, we have a letter from President Austin saying that 74% of all newly constructed square footage under UConn 2000 did undergo inspection by state building code and fire safety officials.

ALBERT ILG: It says square footage.

SEN. HARTLEY: It's like--

ALBERT ILG: We asked about that. We said--

SEN. HARTLEY: The gym is really big.

ALBERT ILG: We asked about that specific thing.

REP. MERRILL: As long as we're all throwing things in here, technically that's because the state doesn't require it, which we actually, I tried to put in more building, we don't have enough building inspectors in the state because we underfund it, and we did put as a result of finding out about the fact that there is no requirement under state law to inspect any building over four stories for reasons that are completely unclear.

The four-story rule has no basis in fact as far as I can tell. It's just, we don't feel like funding enough building inspectors to inspect all these new buildings.

So I attempted to put more state building inspectors in the budget this year, which was fought by a lot of people because we were trying to keep the lid on the budget. There are two, now, two new building inspectors and we eliminated the four-story rule on residential buildings for more than 25 persons.

So there was some progress made, but I have to say, all of us were totally shocked to learn that there was no requirement that the state inspect its own buildings.

I still haven't gotten to the bottom of the fact that whether there's any other state that does not require inspection of the new buildings, at least the new ones, never mind renovations and everything else.

So I mean, part of this we need to pay attention to up here as well. I guess I just have to say it's not just about UConn. Does anybody know whether other new buildings that have been built in the state have been inspected?

ALBERT ILG: Well, we asked about that and got testimony that indicates that there is building plan review of all buildings other than UConn, because UConn was separated out.

And when it was separated out, as Jonathan said, and decoupled from the rest of the state, it is not considered an agency any longer. Nothing else was put in place except these guidelines that were supposed to be done.

TED OLYNCIW: If I could just jump in.

ALBERT ILG: Ted knows.

TED OLYNCIW: The State Legislature created an earlier nightmare regarding this threshold, non-threshold buildings. In the private sector, whether you're building a 20-story office tower or building a one-car garage, you have to go through the same, identical inspection process for every project.

REP. MERRILL: And for your shed in your back yard.

TED OLYNCIW: And for your shed in your back yard. When you get into building public buildings, I never knew this until recently, that they created this threshold, non-threshold concept in an effort, I believe, to really save money on not providing the proper inspection process on buildings that are less than four stories high, that are less than 1,000 person capacity, less than 60, 59 feet in height, which is totally ridiculous.

So in essence, we as a body, the state, created this loophole and this problem that others took advantage of in saying, based

on the law we don't have to do this, so why bother? It costs money to do that.

REP. MERRILL: And more than that, when you go to try to get a building inspected, you're told it's going to be a year wait because there are not enough people in the building inspector's office to make it happen, and that's another piece of all this, let's face it.

TED OLYNCIW: Exactly. It is a big problem. I just had to, my son was building a two-car garage in Waterford. It took seven weeks to get a building permit on a simple, two-car detached garage, and this is universally true across the state. The process is very bad and deficient of manpower.

SEN. HARTLEY: Excuse me. Could I just ask a general question? Is it the Commission's impression that the construction was designed specifically so that it would fall under the category of non-threshold, and did we then sacrifice economies of scale and other design features so as to accomplish that?

ROBERT BOUVIER: I don't think that that was evidenced at all in our discussions. Certainly we all saw what we believed were attempts to get by that provision with the moving of the dirt as you referred to earlier.

SEN. HARTLEY: That was the one building that happened to be threshold, so then it became non-threshold.

ROBERT BOUVIER: That's correct.

SEN. HARTLEY: So we have to wonder.

ROBERT BOUVIER: That's correct.

REP. DILLON: [Inaudible] as 70, is that the number?

JONATHAN PELTO: There were other buildings as well. I think both the Co-Chair and I and probably the entire Commission would say that we did not see any signs of a concerted strategy to build non-threshold buildings.

But when a building was at the cusp, there was clearly a strategy to save time and potentially the costs involved by making sure that it fit within the University's review process as opposed to the state's review process, the most famous of which was the two feet of dirt.

Even the issue of the four stories versus five stories, it turns out that a story is defined as 50% plus one of a story. So you can go four and a half stories tall and be under threshold.

The dirt-moving story was that they were two feet under so that it was four and a half stories plus two feet.

The response from the University to the State Fire Marshal was, well if we bring in the two feet of dirt, we're four and a half stories and below, is that sufficient, and the answer, although obviously none of this was under oath, but the answer was yeah, then you meet the criteria.

So one would say, well, was it appropriate for the University to decide that the solution was bringing in two feet of dirt? Was it appropriate for the State Fire Marshal to decide that that was sufficient?

On the issue of the Husky, the Charter Oak Apartments, the 58 feet versus the 62 feet, the measurement that was taking place was taken by the University who then reported that the building was 58 feet, 58-1/2 feet when it looks like it may have been 60 foot something.

Is it the University's responsibility to measure it correctly? Is it the Fire Marshal's responsibility? There was a building in the Waterbury building that was built, and it was the municipal fire marshal that called the State Fire marshal to say what's, are you inspecting this building? That is clearly over four stories.

The University had not informed the State Fire Marshal, nor had the contractor informed the State Fire Marshal that it was a threshold building that would need to be inspected. The statutes don't require anybody to inform the Fire Marshal as best as we could tell.

So again, the University failed to do it. The contractor who had an obligation, we felt, to have buildings inspected. The contractor who was building the 61 foot building that turned out to be 58 feet should have said, is this a threshold building?

That in many cases, the cases that we found, it was all a marginal judgment call that it would appear that the call was made primarily by the University but backed up by the contractor, potentially the State Fire Marshal or others, who

could have stepped in and said, wait, we want to measure, or no, the dirt moving is not okay.

I think what happened was, virtually everybody was reading the statute and it says, four and a half stories. And so they said, you bring in dirt, you're not four and a half stories.

It's not our problem. We don't have the staff. We don't have the time. We don't have, hey, go ahead and do whatever.

Now, that's a bit of an editorial comment on our part, but directly to your question, I don't think that it was a concerted effort. I think it was an example that we saw repeatedly, which was, we need to build these quickly, cheaply, and move on to the next project.

REP. FARR: Was there any evidence as to [inaudible-microphone not on]

JONATHAN PELTO: And it depended to some degree on who you asked. The Fire Marshal's office obviously felt like they were responding quickly. Some of the buildings that were inspected of the 12 or 14, I think one or two of them were parking garages, so there are probably differences depending on what the building was.

REP. FARR: In your recommendations [inaudible-microphone not on]

JONATHAN PELTO: Tremendous incentive to do it, to do it right. You're not going to get the Fire Marshal to sign off unless it's done right.

On the other hand, the State Fire Marshal is not in a position to staff those nor potentially, you know, the priority of what building do you inspect and not inspect, so then the University would, our feeling would be, therefore it would be a win-win situation. The public and the Legislature, government would be assured that the buildings had been inspected and the University would be assured that they would have staff devoted solely, exclusively to the job of inspecting.

TED OLYNCIW: And the process of inspection doesn't delay the process of construction at all, because with the complement of the Fire Marshals and building officials on site, on campus, it's a matter of calling a day ahead and saying I need a guy tomorrow to inspect such and such.

So they're adding inspections does not delay the progress of a project at all.

SEN. HARTLEY: Is that new office now functioning though? I see the University's corrected plan talking about the office being operational since February. So that's in place now.

JONATHAN PELTO: And in fact a number of the problems that are being discovered--

SEN. HARTLEY: Are as a result--

JONATHAN PELTO: Some of those problems are being discovered as part of this. The irony in all of this is that had even the correct, had the Price Waterhouse, the Pinnacle One recommendations been adopted in '89, I mean '99, I'm sorry, we wouldn't, none of us would be here talking about this.

If the corrective action program that the President announced in April had been installed at the beginning, we wouldn't be here. But in looking at that, we recognized that it needed to be more than simply that corrective action plan.

It needed to be an enhanced one in part because of the need for some more external shining the light on this, that in fact they had taken significant steps forward but in an environment in which that was not a credible enough solution to the problem.

ALBERT ILG: None of us had heard of this threshold business before. I know I hadn't, and several members hadn't. It came as quite a surprise to us. We never did find out exactly why it was enacted. The State Building Inspector offered to give us a history of it but we were at the end of the hearing and we said well, we'll get to that.

But I don't want anyone to leave here thinking that anything under the Department of Public Works, which is everything other than this University of Connecticut program, is built by the Department of Public Works as we understand it, and all of those buildings, even the ones under threshold, get a plan review before they're built, okay.

I mean, it's only, and then the ones above the threshold also get the building inspection. It's only the University that has, is missing both the plan review and the building inspections and that came as quite a surprise to us because you should know, and

probably you do know, that nobody puts up building without building inspections, so it's quite surprising.

However, you know, this is a unique institution.

SEN. HARTLEY: Thank you. [Inaudible-microphone not on]

REP. LEWIS: I'm sorry for interrupting you. I just wanted to thank you for your very informative report and I live within five miles of the University and I know the deplorable conditions many of the buildings are in and certainly it has been a wonderful transformation.

But a question. I am concerned about the building committee. I've served on a couple of municipal building committees, and I know the hours that we spend when we are doing a building project, hours upon hours approving change orders, having a clerk of the works, having a finance director, having them come in, listening to the reports, questioning, having your administrators who are looking at buildings saying well, maybe this isn't going right.

And I am concerned, unless as Representative Nafis said, that there is proper staff in place, I'm just wondering. Is this going to be a committee that's more hands on or is it going to be a building committee? There should be a building committee, I must say.

Is it going to be a building committee that comes in once a month and rubber stamps? I cannot imagine really, really doing the job meeting monthly on the amount of building projects that are going on at the University.

ALBERT ILG: Well, I think, I think we see that as depending on the competence and we certainly recommend you find somebody with competence of the director of capital projects that really they carry out the work of the Committee.

Usually you don't have that at the local level. At the local level, the building committee is asked to hire the architects and do all the interviews and everything else and there's really nobody there that acts as staff. Maybe the town engineer does, or somebody, the director of public works will.

But we envision something here that's got a number of people that are going to serve the Committee. We also see the Committee operating completely in the open.

One of the things that happened, it seemed to us, and what Price Waterhouse found, was that many decisions are made quietly or away from the public and we think that the public needs to be involved here.

The University is somewhat isolated. It's isolated from the Capitol by geography, but that can also make for administrative separation and it's necessary, we think, that things be especially transparent at the University so that their announcements and people [Gap in testimony. Changing from Tape 2A to Tape 2B.]

--you know better than anyone. They're the people you represent, and they need to have some place at the table if they want to.

And so, we would want to make it open, and we find that we don't think it was done that way. As a public institution, the University didn't quite understand its public responsibilities or its responsibility to the public, and it was operated more as a corporate model, which works very fine in the corporate.

But as you all know, in the public sector, it needs to be much more open, and it needs to be very conscious of the customers and the people who are paying the bills all over the state.

TED OLYNCIW: You should know also that the executive director of Architectural Engineering Services, the kind of the mastermind person who was in charge of this program left last October or November, and right now there's an interim acting director. But this ship is kind of sailing along without really a captain.

So, you know, it's important that whenever a legislative action is taken, hopefully it's sooner than later, because you're missing right now, a very key component person and the University people are now looking for this individual now because of this potential building committee, a new building committee.

So we're kind of in between waiting, do we do this or that? Meanwhile, that key person that we need at the University to build this city or to continue building this city, is vacant, is not there.

SEN. HARTLEY: Representative Willis has a question.

REP. WILLIS: I guess this is for you, Ted. From the beginning when all of this came out, it seemed to me that UConn efforts

maybe were too much too fast in that there was so much pressure on the institution.

You know, they increased enrollment by 1,000 per class. They didn't have the space for the kids they had accepted. You know, those are simple realities that their success was sort of what did them in.

And now we're moving forward. We have eight years left to this program. Is this program still too ambitious to have the kind of oversight that you're talking about.

I mean, would it become so administratively heavy in order to properly have the oversight? I'm just wondering if we need to slow down.

TED OLYNCIW: I'll start. Personally, I believe that the basic infrastructure is there. You know, they have a nucleus of people that run the Architectural Engineering Department.

They have, fortunately, one of the best decisions they made was hiring a construction manager, or they call it a construction administrator. In this case it's Bechtel Fusco.

With that expertise, they have that at their fingertips at beck and call, any expert in any field to assist the University in any particular problem they would have. So that's an unbelievable great resource that they have.

Administratively, they jockeyed around the structure of who answers to whom and I believe that now is in place and that answers some of our problems that we've had in the past.

But no, I believe the structure is there. The inspection department's there provided it now goes under the control and the supervision of the state Department of Public Safety, so everything is there in place except for, like I say, this building committee and I think, or whoever is going to be in charge of overseeing the construction.

Aside from that, everything else is pretty well laid out and I think the Board, the Trustees, know that they have to look at the audits from now on. They know what they have to do.

They've been put on the spot, so everybody is tiptoeing on their toes and to making sure that this fiasco or these problems that have existed in the past don't reoccur.

ROBERT BOUVIER: You know, just as a follow up to Ted's comments, a lot of it is in place, and sensing your disappointment and frustration, I think there's a temptation to go out and say, all right, let's audit this whole project again. But it's all there, you know.

Let's just look at what's been paid for and just not looked at. I think somehow they got away with just ordering the audits was somehow virtuous in and of itself, without taking them off the shelf, dusting them off and looking at them and implementing the recommendations. As Jonathan said, we wouldn't be before you here today had they done that.

SEN. HARTLEY: One question while we're kind of on the subject of Bechtel. The Price Waterhouse report talked about the negotiation process and how the fee was quite exorbitant.

Are there recommendations? I didn't see them if they're there in terms of how we can better negotiate and get better value for our dollar?

TED OLYNCIW: Yeah. We've talked to the University, especially Linda Flaherty-Goldsmith and assuring us that, and also I have talked to the interim director of Architectural Engineering Services, and it is definitely on the table that as soon as this new building committee, or this new executive director comes on board, they're going to reassess and re-bid the construction administrative package.

So, you know it's not a sure thing that Bechtel Fusco will still be there. They're going to open it up for competitive bidding again as soon as that director is on board.

SEN. HARTLEY: So are we kind of standing in place right now in terms of going forward with 21st Century UConn to determine how we go procedurally? Is there anything stopping until we refocus this picture, or are we continuing to go with our negotiated contracts?

TED OLYNCIW: I think we're going to go full forward. No brakes have been put on any project. They're still sailing along, but these 100 plus projects in various stages of completion or starting design, given the number of projects that are under design and construction now, it's like 17 or 27. It's a high number of projects and you can't put the brakes on it.

The momentum is there, and that's why I reiterate in saying we need this team, this new building committee or director on board as soon as possible to kind of take charge and reassess and re-look at the construction administrative contract as well as the other recommendations that we're sending to you.

SEN. HARTLEY: So collectively, we would be wise to move as fast as we can.

TED OLYNCIW: Yes.

REP. CURREY: Why in the world aren't we correcting what is wrong with the buildings that are there before we move forward with any other building? I'm sorry. Where is the common sense in this? I know no common sense has been used to this point quite obviously by the University, in how this whole thing was handled.

I'm appalled at how it was done. And yes, they worked hard building buildings and using as little money as possible to pay for people, etc. but not to do it in such a manner that people would be put safety at risk or they would be done improperly.

That was never the intention of the General Assembly and never the assurance that we had had from UConn that it would be done correctly, not done in the half-assed job that it was.

I find it appalling. I am outraged at the whole thing, and I don't think another building brick should be put in the ground until these are corrected and that is paid for.

JONATHAN PELTO: I think obviously you should provide, you should have an opportunity to get an update from the University. One of the things that we grappled with as a Commission is that it is a different Board of Trustees today than it was really for the last all but, for nine of the last ten years.

There's a chairman in place and an audit compliance committee in place that would not have allowed these problems to occur.

There have been changes to the UConn management structure with individuals where people have been removed and/or replaced that is obviously having had some impact.

The President's corrective action plan requires a different system than was in place for ten years, a budgeting system that

struck us as being much more likely to succeed than the system that they had in place.

A project management system that required much more approvals on change orders. That the snapshot that we're giving you is a snapshot of a process over a ten-year period that we felt really went off the tracks.

There has been and continues to be, significant steps to get it back on the tracks. Our charge was--

REP. CURREY: I'd just like to say that I don't blame anybody sitting here. You gentlemen and Mrs. Groark have done a wonderful job of looking at this and coming forth with recommendations. My frustration is not vented at you personally.

JONATHAN PELTO: No, no. And we say that only having worked so much on this over the last four months is that we were impressed with many of the changes that were taking place.

The fact is that the world is changing. Other universities are moving. The competitive marketplace in higher education is so fundamentally different than it was 10, 20 years ago, that it was not our scope nor are we in the position to recommend to the Legislature exactly what you do with the problems.

Do you slow down the project? Do you stop the project? Do you repeal the project? What does it mean for UConn or the state that other universities don't?

We do feel comfortable, because it's in our scope to say that if these changes are adopted, we feel comfortable that the last eight years of the program would be implemented correctly, that many of those changes are based on the changes that are already taking place, enhanced and added to, and we do, are troubled, so troubled by a few key points that there are recommendations in here that while our prominent outlook was looking forward, we are recommending to the University and to you that you conduct a couple of major investigations or audits looking backwards.

The way in which the deferred maintenance funds were used still needs to be properly audited and identified and the same probably goes for the telecommunications equipment and library fund, which is even bigger than the deferred maintenance fund that we didn't even have time to get to.

Secondly, that as you read this report you will see that there were really two sets of books, for lack of a better term. There was the FRS system in which that is the state system. That's what the checks were written off of, and then there was what is called the cap stat system, which is the project management system.

The University is buying a new project management system but the two systems have not meshed, and so they've been working hard to try to get them to mesh but there is more work that needs to be done because we really could not identify on how much was really spent on buildings and therefore, what was the cost of those buildings compared to other buildings.

And then the third area of looking back--

ROBERT BOUVIER: Which is to go back and do all the inspections.

JONATHAN PELTO: Oh, the inspections, of course. The one that the Governor has ordered but certainly needs to be done, and that is that as these costs come up to fix the mistakes that were made, some of that money will certainly be found to legal action, but as we all know, that is a lengthy process that often doesn't be completely successful.

There are significant policy issues that the University needs to confront and the Legislature needs to confront. At one point, our Commission talked about recommending that no 21st Century money be allowed to be used to deal with the problems of rectifying UConn 2000.

The problem with that is that the money would then come from what is in essence the student fees, which is the only other source of revenue.

When you and the state were told, for example, that one of the buildings that had problems, that is Hilltop Apartments was a \$39 million, \$40 million building. So far the University has allocated \$15 million to code compliance renovations and will probably need another \$15 million to \$20 million or so to finish off the code compliance issues.

Those monies were allocated from the operating reserve, which is in essence, money from kids or other sources, but primarily money from students.

The policy, the gut reaction of, don't allow 21st Century money to be used to clean up the mistakes of UConn 2000 leaves the burden on those least likely to be able to handle that.

So, if your policy decision is, and it's one that you'll have to make, do you allow 21st Century funds to deal with the UConn 2000 problems?

Then you'd better identify those problems now because as you're moving to the last eight years and you find out that 10% or 15% or 20% or 30% of that money has to be re-spent to correct mistakes, that one of the major recommendations that we have looking backwards is the main reason to do the inspections is not only the safety issue that the Governor addressed, which is parents and students and faculty and staff and the state deserve to have buildings that meet code and are safe.

But from just an operational standpoint, as you correct these mistakes, that's going to cost a lot of money and the question is where's that money going to come from? And if it is going to come from 21st Century UConn, then you'd better identify and allocate that money now so that you don't end up approving projects that use that.

So, when you go through the report there are pieces of it that we would ask that you, even though it continues to be a look backwards, that you think about moving on very quickly. The University may already be doing some of these things.

The Governor may order them to do some of these things, but if not, we would strongly recommend the Legislature insure that these things are done in order to set up the pieces so that you can successfully move forward if that's what you want to do.

ROBERT BOUVIER: You know, the good news is that there's a second billion to go, and with that, the opportunity to get it right, you know, that it's not all spent and we're not looking back and saying, now what do we do?

And if not for the leadership of Dr. Rowe and the Board of Trustees, I had conversations with Tom Callahan from the President's office assuring me that they're very amenable to the concept and the idea of the building committee, so they're ready to go.

To your point of, should we put the brakes on, or is it, and I think we can continue. I think as Ted has rightfully pointed

out. The infrastructure is there. It's just a matter of moving forward with the proper independent checkpoints.

SEN. HARTLEY: I don't know what high note we could leave on. Let me just ask one last question. We were talking about litigation. We obviously have no clue of what that's going to entail. That then speaks to the issue, we don't really know and can't quantify this problem.

And while the stack of information and a fairly thick report here talking about a lot of procedure and a lot of reports and so forth, we do not know what the impact is with regard to our state investment and taxpayer dollar, and that's a huge problem.

And it also speaks to how, at the end of the day, we resolve. I think it translates to how drastic our decision is going to be here. So that's real unknown.

Jonathan, I just have one question on the President's corrective action paper where they talk about litigation. There's the [inaudible] space litigation and there's the marb litigation. What is that? I had no reference. I couldn't figure that out.

JONATHAN PELTO: We, our understanding of the costs are really anecdotal in the sense of we could and some is in the report, certainly is in our work papers of the cost that will likely be associated with individual projects in which the problem has been identified and the process is going forward to quantify the cost.

So as I've said, they've spent \$15 million on Hilltop Apartments to do code compliance. In Husky Village, it was a \$12 million project, \$6 million, \$7 million in additional costs, although that one was borne by the contractor.

The costs that will be associated with the Charter Oak Apartments will be significant. That is the building where the sprinklers are not in the attics and the fire walls are not in place.

We really were not in a position to come up with that number that will need to be spent to bring buildings up to code, and/or in our mind there were really two costs that led to potential overruns.

One is the code compliance issue and how much will need to be spent in order to bring the buildings up to code.

And the second was whether or not the way that it was funded, the way it was managed, the cost per project was more expensive than it otherwise would have been had you had stronger protections in place.

So that is a long-winded way of saying that the number that you, I'm sure that you'd like to get at is not an easy number to get at, but is achievable if you go back and you inspect all of the buildings, determine what it would cost to bring them up to code and then make sure that that money does not get spent somewhere else.

To the issue directly that you're talking about, the contracts that were in place for the construction of buildings to date included, obviously, the opportunity for arbitration, mediation arbitration and legal action if actionable mistakes were made.

There will need to be a series, there already are a series of lawsuits and actions to try to hold architects and contractors in place, hold them accountable for their actions.

The problem is, I think, and we didn't spend a lot of time on this, but if your policy was that you would accept the building if the architect certified that it was designed to code and the builder certified that he built it to plans, then it's unclear exactly where the liability rests.

Certainly there is an issue with the architect and there will have to be lawsuits against architects, and they may or may not have proper insurance.

But clearly, the policy in place was that if the architect certified it was to code, then the builder may or may not be able to held accountable for building a building that's not to code, because he was working off, or she was working off of a certification that said it was okay.

The University then accepting those buildings without inspections raises yet an additional level of uncertainty.

So I am sure that lawyers will be successful in pursuing claims, some of which may be successful in getting funds, but it strikes us that that is a process that is likely to be extensive and may not be as successful as the University would like it to be and, therefore, money will be needed from 21st Century UConn because there won't be enough money coming from the contractors to pay for all of these changes.

SEN. HARTLEY: That's what we didn't want to hear, Jon.

JONATHAN PELTO: No problem. Is there anything else you don't want to hear?

SEN. HARTLEY: Are there any other questions from our panel? Is there anything else that we have not given you the opportunity to tell us that maybe we don't need to hear?

JONATHAN PELTO: Rob and Ted had additional good presentations that they'll now have to give in the car driving home. But the report, it really was an attempt to write it in plain English. And again, we are available. If you need some more information we are certainly available to provide it.

TED OLYNCIW: One thing. The report kind of looks intimidating but it's based, the first 20 pages of this booklet tell it all. The first 12 pages are our facts and findings and there's simply eight pages of very clearly written recommendations, so it's all there, and we're still as a Committee, we haven't disbanded. So if need be, we're still around to answer your questions.

CHARLIE URSO: That and [inaudible-microphone not on]

SEN. HARTLEY: The Commission has not disbanded?

JONATHAN PELTO: Well, we finished--

SEN. HARTLEY: And now you're available for us to--

JONATHAN PELTO: We spent so much time together in the summer of 2005 [inaudible]

SEN. HARTLEY: It's hard to leave each other.

JONATHAN PELTO: [Inaudible] So you'd usually find at least two of us.

SEN. HARTLEY: Representative Willis had a question.

REP. WILLIS: I just had, I know it's not a question, it's really just a comment. I have to say I am just so impressed. I did have the opportunity to watch some of your work sessions on CT-N, your presentation today, the level in which you've gotten into this is just, I think, over a very short period of time, and are so knowledgeable about this.

It has not only been insightful and helpful, hopefully to us, but I just want to applaud you and I know you're being paid big dollars in consultant fees to do this.

So as taxpayers who are watching here, they certainly owe you guys an amazing debt of gratitude for the volunteer hours and the commitment you've made to this project, so I thank you.

ALBERT ILG: Thank you. We had asked where the \$1 a year is. It's not the end of the year yet.

SEN. HARTLEY: I have to tell you. There's one thing that just keeps haunting me and I just have to say it to you all, and I don't know if you have a response or not.

But again, on this communication that we got from the President, it ends by saying, moreover we have communicated such problems immediately to all relevant parties, the Board of Trustees, state enforcement agencies, the Governor's office, State Auditors of Public Accounting and others.

I just don't understand how that can be put in print.

ALBERG ILG: You might want to also look at the 1999 report that you got from the University about the status of how well they had done, when the report from Pinnacle was not sent to the Legislature.

I mean, the documents, the record is replete, Senator, with what you have said. At the end of the day I think you need to keep in mind that we find ourselves right now, with endangered students and as we just learned this weekend, an endangered environment.

And you know, that happened and no one can explain that away. I just, you know, you've got a big job ahead of you. I think as long as you stay down the main road. We tried to stay, we went down the main road, and we didn't have time to go down the side streets.

It doesn't mean there isn't things that have to be done, and maybe you can pursue some of those and of course come to your own conclusions as to where this main road ends up.

It was a pleasure serving the Legislature.

CHARLIE URSO: I'd just offer one last thing. This is the report that you got in '99. There are other copies available upstairs

and you can compare it to [inaudible], either the Pinnacle or the Price Waterhouse report for your own edification.

ALBERT ILG: Yeah, that's the 1999 report in case you didn't see it. That's what you received.

SEN. HARTLEY: I want to once again thank the Commission members for your patience and indulgence with the Committee and we are ever grateful to you for your time. And thank you, Committee Members. And we officially [inaudible].

[Whereupon, the hearing was adjourned.]